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A  
T R E A T I S E  
ON THE  
I N D U S T R Y O F N A T I O N S ;  
OR,  
THE PRINCIPLES OF  
NATIONAL ECONOMY, AND TAXATION.

BY J. S. EISDELL, ESQ.

IN TWO VOLUMES.

VOL. II.  
ON DISTRIBUTION, CONSUMPTION, AND TAXATION.

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JOHN CHILDS AND SON, BUNGAY.

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THE

# INDUSTRY OF NATIONS,

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## BOOK II.

### ON DISTRIBUTION.

WE have already seen that objects of wealth are acquired or produced by labour, that such labour is aided by capital, and bestowed either on some raw material which nature furnishes, or on the cultivation of the soil, pasturage, and the like. This labour is applied to appropriate the spontaneous productions of nature, to increase the quantity and improve the quality of those desirable animal and vegetable productions which nature guided by art can yield, to prepare and adapt these productions for our service, and distribute them for use or consumption.

In the early periods of society, before the establishment of regular government, when no considerable amount of stock could be accumulated, and no exclusive property in the soil be acquired, there were no such classes as we now have of landlords and capitalists. The whole produce of industry, in consequence, belonged to the labourer who procured it: he being the sole party at all contributing to its acquisition. But in the more advanced stage of society in which we live, large quantities of capital are accumulated, and employed in assisting labour,



while its ownership is seldom vested in the workman who employs it, but more commonly in another person. The soil, too, and with it, all the vegetable productions which grow on its surface, and all the minerals which are found beneath it, is appropriated as the exclusive property of particular persons, who demand a rent or payment of some kind from every individual who would use or take anything from it. Land, capital, and labour being essential to production, there are, accordingly, three parties to whom the whole gross produce of industry primarily belongs, and amongst whom its distribution takes place; these are, the owners of land, the capitalists, and the labourers. To one or other of these every member of society belongs, who is not supported either on the bounty or the forced contributions of others. Public functionaries of every kind, the members of learned professions, individuals practising the fine arts, with other like persons, deriving their subsistence from their professional exertions, are comprised in the class of labourers. Each of the parties before named concurring, either by his property or his labour, to the general result, has an equitable right to, and must have his share of, the produce; or, which comes to the same thing, of the worth of that produce. Hence the inquiry as to the proportion that goes to each.

These three parties are not always nicely distinguishable. It often happens that the same person possesses at one and the same time, the capacities of landlord, capitalist, and labourer; or of capitalist and labourer. A man who cultivates his own estate with his own capital and personal labour, comes under the first description. A fisherman who employs his own boat and tackle in fishing, comes under the second. In such cases, holding a double or triple capacity, a man takes the whole produce which would otherwise be shared between himself and others; and this being mixed together, what is rent, profits, or wages, is undistinguishable. Our inquiry is as to the portion which is acquired in respect of these capacities, which hold alike, whether the same person possess one or more of them.

On the present occasion, we do not inquire into the origin of the right, or the justice of the claim, of either of these parties to the portions which they take. Whether, originally, the land-

lord may have derived his title to the soil by prior occupation, by violent usurpation, or fraud ; or, again, whether the labourer be equitably entitled to possess the whole or any certain portion of the produce which his labour creates ; in neither of these cases does the justice, or want of justice, of the title, apply to an inquiry into the circumstances which actually regulate the distribution of the shares amongst the parties.

We know that the objects which industry acquires are only really valuable as they conduce to human enjoyment, and that the ultimate end of the sacrifice by which they are acquired is more or less completely attained, according as they contribute more or less to the gratification of the parties to whose use they are allotted. This must depend, not only on the absolute quantity or quality of the things themselves, and their suitableness to the need or wishes of these parties, but also on the degree of equality or inequality in which they are shared by those who contribute to their acquisition. If, then, it be possible to bring about any change in the distribution which actually obtains, the object of such change must be to make some other distribution which may afford a more general or higher gratification.

In the former part of this work, in which the circumstances have been considered that affect the acquisition of the objects of industry, there was little occasion to mention the quality or accident of value in these objects ; because this quality has no influence in rendering the work of industry either difficult or easy ; its produce abundant or scanty, good or bad ; or in distributing this produce in such manner as shall be well or ill adapted to the use of the parties to whose wants it ministers. Hitherto we have comprised in our view the interests of the *whole* community, and considered its members in their double capacity of consumers and producers ; whence it was not an object, either to raise or lower the *value* of the objects created by industry ; because as much as such value might be heightened or depressed, and the interests of the producers thus advanced or retarded, the interests of the consumers who had to pay for them would be thereby affected in an opposite direction, and be injured or advanced in an inverse but corresponding measure. The advantages on one side equalling the disadvantages on the other, the

interests of the whole could not consequently be thus advanced. But in the part of our subject on which we are about to enter, we consider the interests, not of the whole community, but of its separate classes, and in their single capacity of producers. Hence, the value of the objects produced, as it is to them matter of the first importance, necessarily becomes the subject of our consideration.

Accordingly, our subject partakes somewhat of that intricacy and complexity or abstruseness of character which is usually possessed by discussions on value.

The parties before spoken of being determined amongst whom the whole produce of industry is divided, we proceed to consider the circumstances which determine the portions that fall to each of them in this division: in other words, to investigate the laws which regulate rent, profits, and wages; beginning with those circumstances which determine the share taken by the landlord for rent.

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## CHAPTER I.

### OF THE RENT OF LAND.

THE material objects that minister to the wants and wishes of mankind are all comprised in one or other of the three grand divisions of nature—the animal, vegetable, and mineral kingdoms. In the animal kingdom every individual is supported either directly or indirectly by the produce of the land; in the vegetable kingdom each variety derives its subsistence from the soil; while all that constitutes the mineral world is either found scattered upon the surface, or drawn from the bowels of the earth. Thus all are procured, through the exertion of labour, from land. Again, nature, co-operating with labour, is essential to the production of every useful object. In civilized society, almost every portion of the soil, whether cultivated or uncul-

tivated, as well as nearly all its produce, with almost every natural production which exists in any degree of scarceness, has become private property. Even the marine plants on our shores, and the fishings on our lakes and rivers, are appropriated. Excepting wild animals, fish in some great rivers and in the sea, and the herbage, roots, wild fruits, and other products of common and forest lands, there is scarcely anything that we use or consume, or any material which is employed in the fabrication of commodities, that has not been previously appropriated. Although the earth was given originally to mankind at large, to use and enjoy it as they pleased, yet since the land has been parcelled out in exclusive property to individuals, whoever would employ it, and avail himself of the co-operative agency of nature, or procure any of the raw productions it yields, must first obtain permission from the proper owner of the land. For this permission, a payment is demanded, annual or otherwise, which is denominated rent. Thus, with the few exceptions already mentioned, it may be said that, in the distribution of the several objects of desire among the classes concerned in their production or acquisition, a part of every such object, or its worth, goes to the owner of the soil on which it was grown or reared, or of the land whence the raw materials from which it was fabricated were originally procured. Hence the inquiry presents itself—In what way does rent accrue, and by what principles is its amount regulated?

The agency of the soil is not the only agency of nature of which we avail ourselves in our works. The force of attraction, cohesion, and gravity, the power of the wind and of the waters, the light and heat of the sun, are powers or properties of nature which men constantly employ; but which, however, have not in general the faculty of yielding rent; and the reason is, not that they are less essential to the work of production, but that they have not been appropriated to the exclusive benefit of any person. These, and such like powers of nature, have not become so appropriated, either because they are not in their nature susceptible of appropriation, or because they exist in such ample measure that, if appropriated, no benefit could accrue to individuals therefrom. Streams of water have very

commonly been made exclusive property, and their force applied to mechanical purposes. If men had been able to appropriate to their exclusive use the wind which drives our sails, and it had not been so abundant as to perform this service for every person who chose to make use of it, no doubt the selfish principle would have constituted it private property; and a rent, in such case, must have been paid for the privilege of using its power. But, happily, no man has been able to deprive his neighbour either of the wind or the sun's rays, or to say, They are mine, and I will be paid for the use of them.

The great consumption on the part of mankind consists of those animal and vegetable productions which are grown on the surface of land, or fed upon its produce; the supply of which is renewed from season to season, and used as food and materials of clothing. For the more durable objects, as wood of different kinds, and minerals, the demand is of less magnitude. Thus it is for the productive agency of the soil, in the shape of an annual rent, that the greater portion of the demand of the landlord consists; and this, accordingly, constitutes the larger portion of our inquiry.

Amongst most nations that have attained to the agricultural state, an exclusive right to the soil seems to have been at first invested in the government, and in persons deriving their title from it. In ancient Egypt one-fifth of the crops was taken. Among the Jews a tenth; and in the Grecian and Roman states a similar proportion. In Persia a fifth. In Hindostan from an eighth to a seventeenth. In the institutes of Menu the sovereign is permitted to double this tax during war, raising it to one-fourth. Such was the tax paid to Porus when Alexander invaded his dominions.

This exclusive possession by a prince or state of the soil from which alone the people could obtain the means of subsistence, was of itself sufficient to give the power of exacting a tribute or rent for the privilege of occupying and acquiring subsistence from it, wholly irrespective in its amount of those natural circumstances of the country and times which would have determined the rent in a state of freedom. In the greater part of the world, the soil to this day is cultivated by a poor and more or less

enslaved peasantry, who are unable to dispose of their labour, and the little capital which they possess, at their pleasure ; but are compelled to cultivate the land, either by the laws and usages of the countries in which they live, or by the force of circumstances which they are unable to resist. This is the case throughout the whole of Asia, Russia, Poland, Hungary, and the greater part of Germany. Where the peasant cultivator is chained to the soil, either by the law, or by the force of circumstances which he cannot overcome, his condition is consequently dependent on the mercy of the owner of the soil, and the amount of rent which is wrung from him is limited only by the moderation of the landlord, or his actual power of making the tenant extract from the land a larger produce than is enough for his support. Two centuries ago, this was the state of the cultivators in our own country. Happily, we have now passed this state of things ; the task of cultivating our lands, and of furnishing our supply of its provisions and materials, is no longer committed to a poor, ignorant, and feeble peasantry, but is under the guidance of an opulent, free, and intelligent yeomanry, possessing talent and capital to make the most of the resources of the soil.

As the conduct of our agriculture is no longer in the hands of a serf or *metayer* peasantry, and as throughout the more improved portion of the continent of Europe, such a system is gradually giving way to one more like our own, the larger portion of our attention will be directed to rent under the circumstances in which we are at present placed, in which both the labour and the capital employed in agriculture, instead of being chained to the soil of necessity, are free to engage in any other occupation which may hold out the prospect of superior advantages. It is obvious that rent under the last-mentioned conditions, as well as wages and profits, must be regulated by circumstances far different from those which before determined its amount in a state in which no such freedom was allowed.

The rents which we have now to consider consist merely of *surplus profits* ; that is, the surplus profit which the cultivation of the land affords to the labour and capital expended upon it over what would be acquired by the same labour and capital otherwise employed.

In this view the rent of land resembles the rent of a shop or house of business, and its amount is determined upon the same principles. A farm of excellent land may be compared to a shop standing in a commanding situation for business, as in some great thoroughfare in a populous town. Although the house may not be of larger dimensions, or better built, than another house situated in a back street, less favourable for business, yet the first will yield a rent, perhaps double that which the landlord of the other would be glad to accept. If, with the same trouble, and the employment of the same amount of capital, a tenant of the first house receive double the amount of profits that a tenant in the other can acquire, the landlord of the first will, in all probability, monopolize to himself this extraordinary profit, in the shape of a high rent. So it is with a farm of highly fertile land. According as the profit of occupying it is greater than that of another farm of inferior land, in which the same capital must be employed, the demand upon the occupier for rent will be greater by the amount of this excess. Or, which comes to the same thing, the rent will be equal to the *surplus profit* which its cultivation affords above the profit that could be acquired by employing the same capital in other ways. Which *surplus* determines, in every case, the rent of land; whether as respects the whole agriculture of a country, or any particular portion of land, as its relative fertility and situation, and consequent profit of cultivation, may be greater or less.

It has been supposed that in most European countries the profits of husbandry are on the average below those acquired in trade, commerce, and manufactures. There are reasons to believe that this is the case. But whether it be so or not, is not essential to the object of the present inquiry to ascertain. Individual interest has a continually operating tendency to establish an equality of benefits in all occupations; and although, in the fluctuations to which every branch of industry is exposed, the profits of farming may not yet equal the average of other employments, they must be approaching that average, and cannot be far from it; for if the inferiority were strikingly apparent, capital would be withdrawn from husbandry to be embarked in

more lucrative occupations. While, on the other hand, if husbandry were strikingly superior, capital would be withdrawn from other employments, to be embarked in its exercise. It may be that there exists a greater facility or predilection in the trader or manufacturer to turn farmer, than in the farmer to become trader or manufacturer; and thus a somewhat more active competition may be occasioned amongst farmers. For facility of elucidation, however, we shall suppose on the present occasion, that the average profits of agriculture are the same as in other occupations. But if this should not be the case, and they should be two, three, or more per cent. below other average profits, there will then be found an error running through the inference which may be drawn, on the supposition of an equality, of two, three, or more per cent., as the case may happen.

Land is sometimes cultivated by its proper owner, and sometimes by a tenant. In the former case there is no rent actually paid; but the profit accruing from the occupation is in both cases of the same nature. If the land be cultivated by the proprietor, that portion of the produce which remains to him after all the outgoings attending its cultivation, of whatever kind, have been paid, including the profits of the capital employed, estimated according to the ordinary rate of the profits of agricultural capital at the place and time, may be considered as rent. If the land be cultivated, not by the proprietor, but by a tenant, the rent is the equivalent for this portion of the produce, which is paid by the tenant for permission to occupy the land.

It often happens, however, that the rent which is paid is very different from the real value of this portion of the produce. The liberality of a few proprietors and the ignorance of others cause rents in some instances to be below this value; while the ignorance and imprudence of some farmers cause rents in other instances to be higher than this value. Again, accidental and temporary circumstances occasion the farmer to be paying sometimes more and at other times less rent than he ought to pay. But these accidental and temporary circumstances are not the rule, but the exceptions, which bear too small a proportion to the whole to require notice, and which do not invalidate those



general principles which in the end determine rents. In adjusting the terms of the contract between landlord and tenant, it is the real and average value in different years of this portion of the produce to which both parties refer, and to which, if insisted on, they must both conform; and it is to this value, too, that rents, although seldom precisely equivalent, have a constant tendency to approximate.

It is plain, that a rent cannot be paid for land, when the produce which the cultivator's skill and means enable him to raise from it is not more than sufficient to maintain those whose labour and attention are necessary to raise it. It is indispensable to the existence of rent, that the quality of the cultivated portions of the soil, or the efficiency of the powers of labour in relation to that quality, be such as to yield a larger quantity of the necessaries of life than is required for the maintenance of the persons employed upon the land. As much as this produce is more than sufficient for the maintenance of these persons, a *power* exists of paying rent, if it be necessary. This power, too, is limited by the same excess. After cultivation has passed into the hands of farmers who are able to move their capital at pleasure as opportunity offers of employing it to superior advantage, rent is no longer a tribute paid of necessity for permission to acquire the means of existence; it is no longer a creation at the will of the landlords, and the quality of yielding more than sufficient to maintain the cultivator, although it is indispensable to the payment, and constitutes the limit to the possible increase of rent, is neither the cause, nor the circumstance which determines the amount of rent. No man will pay a rent for land, whatever may be the surplus it yields above what is required for his own subsistence, or whatever may be his *power* of paying it, if the landlord have not the *power* to make him; that is, if other land in the neighbourhood equally good can be had for nothing, or if there be no other farmers offering to give more; and therefore other circumstances must be brought into operation before the existence of a condition in which rent can be demanded. Thus rent is not exactly proportioned to the fertility of the land, or the surplus which it yields beyond what is necessary to support the labourers and keep up the capital employed upon it.

In some parts of the world to which cultivation has not yet been fully extended, there are large tracts of land susceptible of almost every kind of culture, but which in their present state possess no value. In America and Australia, for example, there is more fertile land than is sufficient for the wants of the inhabitants, and more than their means enable them to cultivate. The governments of those countries claim the ownership of the unsettled tracts, and will not allow a settler to gain a title to or hold possession of the land, without purchase. A part only of the best and most favourably situated land, under such circumstances, is cleared, and all that is uncultivated yields nothing, at least nothing of value. While land of the best quality remains wholly unoccupied, and any person who will pay the small purchase money demanded for it may occupy at will, no rent could be obtained for that which is uncultivated, beyond the trifling interest of the purchase money.

Notwithstanding the indispensable necessity of land as a co-operating agent in the work of production, the use of its powers has no market value until the circumstances of society, or the monopoly acquired by this assumption of ownership in the government, cause the supply of land of the most fertile qualities to cease to be co-extensive with the desire for it. Indeed its appropriation would not at first be immediately profitable to the individual in whose favour it might be made, since the land has no value.

There is a difference between the land which has been cleared, enclosed, and improved, and that which is yet uncleared, and on which nothing has been expended. Rather than clear and enclose fresh land, a man will pay an equivalent, annual or otherwise, for the cost of clearing and enclosing: and he will pay no more. Consequently, a part of the rent of land which has been enclosed and cultivated is to be assigned to the expenditure of labour and capital made by the proprietors or their predecessors in clearing, enclosing, draining, building, and otherwise improving it. This part, however, is not a payment for the original powers of the soil, but for what has been expended upon it. Though it is called rent, it is rather interest than rent. The rent may be conceived to be composed of two portions;—that which is for the use of the original powers of the soil, and

that which is for the capital which has been expended in improving the land and bringing it into a fit state for cultivation.

In some instances, the rent is not more than a reasonable interest upon the capital expended. But the expenditure upon land is not the circumstance which causes a rent to be acquired, or which fixes the ratio of rent. Capital may have been judiciously or injudiciously laid out, and even in cases where no rent would have been demanded, except an expenditure had been made, the amount of that demand must be affected by the judgment displayed in the outlay. No tenant will indemnify the landlord for an unwise expenditure, by paying the common rate of interest upon it. While, if it has been well laid out, a tenant may be able to pay perhaps much more than common interest upon such expenditure. In most countries, however, the landlord usually demands a rent for land which has never been improved, and the interest upon the expense of improvement is generally an addition to the original rent. These improvements, besides, are not always made by the landlord, but sometimes by the tenant. When the lease is renewed, however, the landlord commonly demands the same advance of rent as if they had been made at his own expense.

“He sometimes demands a rent for what is altogether incapable of human improvements. Kelp is a species of sea-weed, which, when burnt, yields an alkaline salt, useful for making glass, soap, and for several other purposes. It grows in several parts of Great Britain, particularly in Scotland, upon such rocks only as lie within the high-water mark, which are twice every day covered with the sea, and of which the produce, therefore, has never been augmented by human industry. The landlord, however, whose estate is bounded by a kelp shore of this kind, demands a rent for it as much as for his corn-fields.” \*

Thus the rent of land is not proportioned to what the landlord may have laid out in the improvement of the land, or to what he can afford to take. It is entirely determined, through the competition of persons desirous to occupy the land, by what an occupier can afford to give.

If all land had the same properties, if it were unlimited in

\* Wealth of Nations.

quantity and uniform in quality, no charge could be made for its use, unless when it possessed peculiar advantages of situation. It is because there is not a sufficient extent of land which is of good quality and well situated, that rent is paid for the use of it ; to avoid the payment of which, land of inferior quality, or less advantageously situated, is brought into cultivation, as population increases.

In our country, there are now probably few or no farms which are either rent-free, or could not be profitably occupied on payment of some rent ; yet there are very many in which some of the land comprised in them is so bad that, if taken by itself and without any other of better quality, could not be cultivated with the usual profit, if subject to a rent. However, in countries which possess a dense population, land in pasture or wood always affords some rent to the proprietor, and therefore the land cannot be profitably broken up except the return acquired when in tillage be sufficient to pay both the expense of cultivation with its usual profit, and the value of the pasturage or wood yielded before being broken up. In such countries, then, the worst land in tillage, although not wholly rent-free, is subjected to no higher rent than the value of the pasturage or spontaneous productions it would afford if no expenditure were incurred, and the land left in a wild state. The value of such pasturage is, however, so small, that the error would be hardly appreciable if we should affirm that the worst land in cultivation pays no rent. But whatever may be its amount, its payment is indispensable to the supply of the market with cultivated products from this land ; and thus rent enters into the price of all cultivated products.

Not only in every country are there soils of a variety of character and productiveness, but in the same neighbourhood, and on the same farms, the land is of unequal quality. There may be some highly fertile and richly cultivated countries in which there is no waste land, but the prevailing case is, that a portion of the soil of every country is either wholly unimproved, or but partially so. On the most elevated tracts, as well as in the marshy and sandy situations, there is commonly land so barren as not to admit of cultivation, with the existing skill and capital in husbandry ; and some which, though in

other respects fit for cultivation, cannot be *profitably* cultivated under existing prices of produce and expense of raising it ; since the produce it would yield would be of less value than that of other products which might be gained with the same expenditure in other ways. Between such land, and that which is most productive, there are soils of all the intermediate degrees of fertility. Thus, the labour and expense bestowed on the cultivation of different lands produce returns very unequal to each other, according to the productiveness of the land on which they are bestowed.

Again, from the nature of husbandry, much or little labour and capital may be expended in the cultivation of the soil ; and the produce is greater or less according as the expenditure is greater or less. But the return, in ordinary cases, is not in proportion to the expense. A small expenditure yields *in proportion* a better return than a large one. A piece of land, for example, may be capable of yielding ten, twenty, thirty, or more quarters of corn annually, according as its tillage is wrought up. Yet the expenditure which is sufficient to raise from it ten quarters, must usually be more than doubled in order to raise twenty quarters ; while in order to raise from it thirty quarters, the first expenditure must be not merely trebled, but increased probably above one-half more than was necessary to produce the twenty quarters ; and so of every larger quantity required to be raised, —the outlay must be always in a still higher ratio than that for any previous quantity. It is true, in the progress of improvement, the soil yields a larger produce without a proportionately larger expenditure. In England, in the thirteenth century, “ the produce of an acre of wheat was probably much under a quarter.”\* Within three centuries afterwards, we are told, the same measure of land, well tilled and dressed, yielded sixteen or twenty bushels.† But now the best lands yield from 36 to 40 bushels per acre ; while the worst yield from 8 to 10. Although, with a better husbandry, a larger capital may be expended upon the land with an equal or even sometimes a greater proportional return, yet it will be evident, that usually the contrary must be the case, when we consider, that, if it were otherwise, and

\* Sir F. Eden, *State of the Poor*, vol. iii. Appendix, p. x.

† Hollingshed, *Description of Britain*, vol. i. p. 110.

capital might be expended in cultivation to an indefinite extent, and still yield a produce *proportionate* to the expenditure, the smallest quantity of land, in such case, would be sufficient to raise by high cultivation the largest quantity of produce required. Thus, in improving the tillage of land, the increased produce yielded to the labour and capital expended under the direction of the same skill in husbandry, is *in a decreasing ratio* to the amount expended.

The rent of land being dependent on the *demand* for land, and rent consisting of the *surplus profit* which cultivation affords over the profit which could be acquired by the same capital in other employments, the circumstances which cause rents to rise or fall are to be sought for amongst *such as affect the quantity and efficiency of the labour and capital* which can be advantageously employed in cultivation ; and amongst *such as affect the profit* accruing from that employment ; not, however, the absolute or gross profit, but the *excess* of profit over what is usually acquired in other occupations.

Hence the demand for land, and consequently its rent, will be found to rise or fall from the following causes.

First, rents will rise from an increase in the quantity of labour and capital which, under existing prices of produce and cost of production, can be advantageously expended, either in heightening the cultivation of the land already under tillage, or, which comes to the same thing, in extending cultivation over waste lands of inferior native fertility. On the other hand, rents will fall from a decrease in the quantity of labour and capital advantageously applicable to these purposes.

Secondly, rents will rise or fall from the general efficiency or inefficiency of industry in its several branches. The quantity of labour and capital thus advantageously applicable will depend, first, on the actual quantity possessed ; that is, on the population, and the wealth of that population ; secondly, on the efficiency of its agricultural industry in relation to the efficiency of its industry of other kinds.

Although the *profits* of cultivation determine the degree in which industry is applied to agriculture, yet the means of purchasing, or power of paying, through which prices and profits

are acquired, are dependent on production; and thus these profits themselves are dependent *on the disposable power of labour* which is applicable to the general purposes of industry; so that we come back to this disposable power as a cause of profits, and, consequently, as a cause anterior to them in the determination of rents.

It is plain that the cultivation of the soil in any country can only be extended and heightened, in proportion to the amount of disposable labour and capital which the people have the means of applying in this way. The magnitude of these means depends both on the number and wealth of the population, and on the effectiveness of its industry. Every man added to the population of a country is an addition to the labour applicable to the general purposes of its industry, which may be employed either in agriculture, manufactures, commerce, or other occupation; while every man so added forms, likewise, an addition to the wants of the community, and calls for a supply of food, clothing, and other articles. Precisely the same is the result, when a person by the use of a new and more powerful implement, or through greater skill, is enabled to do the work of two. This is equivalent to adding to the population as many men as employ such implements; both as regards the additional labour applicable to general purposes, and the additional demand for commodities in general, which the enlarged means of consumption in these men will assuredly occasion. When the wants of the people have created an effectual demand for a larger quantity of agricultural produce, so as to occasion the necessity of resorting to new land of inferior quality, in order to supply it, and thus cause an advance of rents, this demand can only have arisen from the people having acquired larger means of consumption, with the ability to cultivate more land and of a worse quality; either through an increase in the number of persons requiring food, or from the same number requiring to be more amply or better fed. When there are more persons to be fed, there are, evidently, more hands applicable to husbandry. When there arises an effectual demand to a larger extent from the same number of persons, this must have proceeded from enlarged means of labour and of payment.

Enlarged means of labour and of purchase may be the consequence either of closer application to business, a saving of labour, or an augmentation in its productive power, through the acquisition of more capital, greater freedom of industry, the employment of more or better machinery, or the acquisition of superior skill and knowledge in applying labour and capital. In whatever way a greater effectual demand for agricultural produce may be occasioned, it is in every case the result of greater powers of labour. These powers may be increased by the acquisition of higher efficiency in any one branch; but still more when it extends to many. It is the same whether the higher efficiency be in agriculture or in any other occupation.

The application of labour to the purposes of industry, and consequently to the cultivation of the soil, as well as the people's means of consumption, and the demand for raw produce, depends on the full employment of the working classes. This application is augmented by everything which stimulates the exertion of labour, or tends to avert a derangement and stagnation of business. The degree of personal exertion of the labouring classes is extremely different in different countries, and at different times in the same country. "A day's labour of a Hindoo, or a South American Indian, will not admit of a comparison with that of an Englishman; and it has been said, that though the money price of day labour in Ireland is little more than the half of what it is in England, yet that Irish labour is not really cheaper than English, although it is well known that Irish labourers when in this country, with good examples and adequate wages to stimulate them, will work as hard as their English companions." A prosperous commerce which, while it augments the rewards of labour, at the same time gathers into busy and flourishing towns the idlers who would otherwise be only half employed upon the land, occasions an effective and increasing demand for the products of agriculture. But the circumstances which promote the exertion of labour, which operate to prevent a derangement of industry, and to cause full employment to be offered to the workman, have been spoken of in another place, and need not be repeated here.

On the other hand, a feebleness in the powers of industry,



from whatever cause it proceed, must contract the extent of cultivation, and lessen the demand for agricultural produce. If the use of horses and other labouring cattle in agricultural and other occupations were materially diminished, it is probable, that a great part of the land which now bears corn would be thrown out of cultivation. Poor land would never yield sufficient to pay the expense of cultivating it with the spade; of bringing manure from a distance in barrows or baskets; and of carrying the products of the soil to distant markets by the same sort of conveyance.

With an increasing population, the land becomes improved, but it is too little the subject of observation that an increase of population is not the only, and scarcely the main, cause of an increased power of production, and of a larger demand for commodities. Though the human stomach is not more capacious in a state of affluence than in a state of poverty, yet the amount of its consumption, and the quantity of land necessary to furnish that amount, is incomparably greater in the former state than in the latter. When in great poverty, the people support themselves either wholly, or almost wholly, on vegetables; being the cheapest food in proportion to its quantity. If their circumstances improve, they are enabled to procure bread-corn; advancing still further, they obtain white bread instead of brown, a portion of animal food, and the more expensive kinds. "It has been said, that the same extent of good ground which maintains one man upon butcher's meat will maintain twelve men upon wheat, and seventy men upon potatoes. This statement seems overcharged; but certainly the difference is great." With regard to drink, a man in a state of indigence must be content with water; when better off, he will be found to drink small beer, ale, wine, or spirits, as his circumstances afford. The rich consume more by rejecting the inferior parts, reducing their nourishment into a highly palatable form; by selecting the materials of their clothing and other things from such of the productions of nature as are most agreeable and pleasing. A rich man may keep a horse, or perhaps many; but the poor man can do nothing of the kind. Thus, according to the wealth of the people is their consumption, and the demand which they

create for agricultural produce ; and since the means of consumption can only be acquired through production, the quantity of land in cultivation, and the degree in which its tillage is forced, depend, not simply on the population to be supported thereby, but on its powers of industry, and the degree in which they are brought into action. On the other hand, rent cannot but decline with a decline either in the number or the circumstances of the people.

We may suppose, when a larger disposable power of labour is acquired, it will be diffused generally throughout the different branches of industry, in the proportions in which labour was previously applied to them ; and this will most commonly be the case ; but not universally.

The labour and capital which the people of any country have at their disposal, and which must be directed to the different branches of its industry, to furnish all the articles by which their wants and wishes are supplied, will be applied to the different occupations in a greater or less degree according to the relative productiveness of the industry employed in them, and the consequent relative cheapness or dearness of the different kinds of productions they furnish. Since there is a tendency to equalize the profits of industry in all occupations, they must eventually be nearly alike ; and when, in one occupation, as for example, in agriculture, the exertion of a given quantity of labour and capital raises but a small quantity of produce in relation to the quantity of wrought goods which a like exertion can work up, the produce of the soil must be proportionably high in price, to compensate for the smallness of quantity, so that agricultural industry may obtain an equal money remuneration with other kinds of industry. But if raw produce be dear, while wrought goods in relation to it are cheap, consumers will be deterred in some degree from expenditure on that dear produce, preferring to purchase the cheaper wrought goods. On the other hand, if the produce of agriculture be cheap, while manufactures are comparatively dear, consumption in that produce will be more indulged in, and manufactures will go off more sparingly.

This natural direction of expenditure is frequently deranged by taxation. Duties on commodities change the natural relation

of the prices of different commodities to each other; articles which in themselves are cheap they render dear; and articles which are dear they render still dearer. If these duties were *ad valorem* duties on all commodities, no change from the natural direction of expenditure would take place. But when one article is taxed and others left free, the consumption of the taxed article is in a measure diminished, while the consumption of all the rest is increased: the diminution in the one being equal to the collected sum of the increase in all the others. Hence, if foreign goods be taxed, home goods must be more in demand: If manufactured goods be taxed, raw produce will be consumed in larger quantities; and the reverse will take place if the produce of the soil be taxed, while wrought goods are left free.

It may not be superfluous to bring to recollection here the substance of what has been observed on supply and demand, for the purpose of removing an objection which might be raised to the position,—that the extension of cultivation and the consumption of produce, will be carried to the full extent of the powers of industry of the people and their means of consumption. It has been attempted to be shown, that an increased power of production, if properly managed, cannot give rise to over-production, or a glut of produce; that increased supply causes an increased demand; and a larger production of commodities of one sort, a larger production of commodities of other sorts; that a glut of any commodity can only result from one or more of these three things,—first, from an improper distribution of industry, in excess of quantity in this branch in relation to the quantity directed to other branches; which is the same thing as an inadequate supply in those other branches; secondly, from the commodities produced not being of sufficient variety and excellence of quality; or, lastly, from a higher price being demanded for them than measures the ability or inclination of those who would be able and might be inclined to purchase them on lower terms. If these positions be admitted, it cannot be doubted that the demand for produce and the consumption of the people will fully keep pace with any increase in their power of production; since the desires of mankind are insatiable; and the extension and heightening of cultivation will be commensurate with the efficiency

of their industry, without occasioning any superabundance of produce, but merely causing that produce to be of superior quality, or consumed in a more concentrated form. It is true, the inequality of seasons, and the fluctuations of human affairs, occasion sometimes a derangement of industry, and over-production of agricultural produce; whence a temporary decline of rents ensues. But this glut of produce may be the consequence, not perhaps of over-production in relation to the former means of consumption of the people, or even of a diminution in their numbers, but from a change in its relation to their *present* means, and through the want of production on their parts of equivalents wherewith to purchase the products of agriculture.

According then to the people's power of production, or the efficiency of their industry, will be their consumption of the general products of industry; while the particular direction of that consumption to the produce of the soil, independently of taxation, will depend in some measure on the efficiency of agricultural industry in relation to the efficiency of other branches, and the consequent relative cheapness of agricultural produce.

An enlarged demand for provisions may be met in two ways. Either by applying the greater powers of industry which create the enlargement of the demand, in heightening the cultivation of the land already under tillage; or by enclosing and cultivating waste land. But when all the most fertile land in the neighbourhood is already cultivated, new enclosures can only consist of soils of inferior quality or less conveniently situated. Whether the old farms shall be better cultivated, or fresh land taken up, will depend upon the return which in each case can be procured. If by cultivating new land, a greater return can be obtained than by higher cultivation of the old, the new will be preferred; if otherwise, the reverse will be the case. But whether these greater powers of industry be applied to the heightening or the extension of cultivation, the additional quantity of food demanded cannot in either case be raised except at a higher ratio of cost than the previous quantity obtained. This higher cost, however, may not in every case call for a greater outlay of labour or capital, because improvements in their application may have

rendered them more effective ; but what is meant is, a higher ratio according to the previously existing effectiveness.

Now, if it require greater labour and expense to raise one part of the agricultural produce which supplies a community than another part of similar quality, the price of produce must have risen in the market sufficient to afford the customary profits on that which is raised at the most expense ; and as there cannot be at the same time two prices for one article in the same market, the price procured will be the same for the produce grown on the fertile land as on the sterile ; and the same for that part which is raised by the original quantity of labour and capital as for that which is raised by the additional quantity. Consequently, those persons who occupy the good lands, which yield with great facility and in abundance, must gain more than ordinary profits from their occupation.

The origin, the occasion, and progress of rent may be thus stated. The insufficient supply of the productive agency of the soil, and the consequent increasing difficulty, as population and productive power advance, of raising an adequate quantity of food, cause the prices of provisions and of every other kind of the produce of land to be continually advancing. The effect of every successive increase in these prices is to allow of the cultivation of inferior land, and yet to derive from it the customary remuneration of labour and capital. In which case, the larger returns upon the old enclosures of superior quality render their cultivation highly profitable ; and as this proceeds, not from superior skill in the farmer, but from the superior advantages of the land, the landlords who grant permission to occupy these lands are enabled to demand an advance of rents ; while the competition of persons who are desirous of occupying land compel them to offer its full value. In each of these successive advances, that last enclosed land which paid no rent becomes charged with a rent equal to the advance, or the excess of profit which the land affords over the fresh and more inferior land ; leaving only the new portion rent free ; while the other lands which had formerly paid rent become severally charged with an addition to their previous rents, by the amount

of the advance; or, which comes to the same thing, with a rent equal to the surplus profit their cultivation affords above what could be acquired by employing the same capital in other occupations. In these advances, the gradation of rents remains unchanged; for the rent of land of the best quality must always be higher than that of the second best; the second higher than the third; the third higher than the fourth; and so on.

As in applying successively additional quantities of labour and capital in heightening the cultivation of land, every increase yields a smaller proportional return than the previous quantity, the farmer of course continues to apply successively additional quantities till he finds the last yield no more than the ordinary profits of capital, and that any further addition would produce less than these profits; consequently, less than he could get by employing the capital in some other way. So long as the ordinary profits of capital are obtained, these are sufficient to induce cultivation. The farmer expects no more; it is indeed all that he works for. He will not get more than this on any land, nor on all the former portions of capital expended; because the competition of other farmers to occupy the land will prevent him. Whatever is yielded beyond this, the landlord appropriates to himself; and thus equalizes the farmer's profits of cultivation upon all lands.

We see, in the progress of population and of the efficiency of industry, that the domain of cultivation is continually spreading; lands of inferior quality and less conveniently situated are brought under the plough, and this is accompanied with a general advance of rents on all lands previously cultivated: the rent of different parcels being proportionate to their relative fertility. It is not, however, the unequal fertility, as some have thought, and the cultivation of the poor soils, that are the *cause* either of the origin or progress of rent: the cultivation of poor soils is the *consequence* and not the cause; since it is to escape the payment of rent that inferior soils are resorted to. The inferiority of soil which will bear to be tilled with the ordinary profit at the time forms the measure of rent on other soils, but the cause is to be found in the cultivation of land affording higher profits than can be acquired in other occupations. If

there were no poor soils, these higher profits would still exist. We can suppose a country in which there should be no gradation whatever in the quality of different portions of its soil, but all should be of uniform fertility, and yet, however fertile the land should be, a rent might be acquired for its occupation. Again, we can suppose a state of things in which there should be no land which did not pay a rent. Still the principles on which the amount of rent would be determined in both these cases would be the same as in every other. Though all lands were precisely alike in quality and advantages of situation, yet if the land were of insufficient extent to afford the required supply of produce, this inadequate supply in relation to the demand would cause the price of produce to be so much higher than the cost of raising it as to yield extraordinary profits to the cultivator; and thus, without any increasing difficulty in the production of food, the landlord would be enabled to acquire a rent equal to the superiority of these profits. The only difference in such case would be that the rent of all lands would be the same, instead of being higher or lower in proportion to their fertility. But the existence of inferior soils, as it affords the means of enlarging the supply of produce, and of escaping from the payment of the extravagant rent demanded for the superior soils, and lessens the competition for their occupation, so far from raising rents, tends to moderate their amount and to retard their advance. In conceiving, therefore, that the cultivation of the poor soils is the *cause* of rents, there is a misapprehension of the order of causation; and this inversion of fact exposes to the danger of involving erroneous conclusions. Although, however, the cultivation of inferior land is never the *cause* of rent, yet inferior land could never be resorted to unless large profits were gained upon land of superior quality; and as the cultivation of such poor land is its invariable consequence, it may serve in discussions on rent to assist in elucidating the principles upon which its amount is determined.

For this purpose it may be useful to observe, that the amount of rent on land in general must be higher or lower according to the quality of the worst land which, under existing prices of produce and expenses of production, can be cultivated with the

ordinary rate of profit upon capital : higher in proportion to its sterility, and lower in proportion to its fertility. In old countries, generally the worst land must bear a rent equivalent to the value of the spontaneous productions it would afford in a wild state, or as pasture or wood land, and, universally, in other lands, the superiority of the profit of cultivating them must be the amount of rent. Again, and which comes to the same thing, the rent must be higher or lower according to the quantity of labour and capital which can be profitably expended in cultivation ; and if we suppose this labour and capital to be applied in distinct portions in succession one after another, each of these will afford a gross amount of profit out of which a rent may be taken, except the last ; the earlier portions to a higher amount, and the later to a lower, until the last can admit of none at all. The whole rent, then, will be higher in proportion to the number of these portions which can be successively applied. It will consist of that portion of the profits on all the former quantities which exceeds the profits on the last, and will be in proportion, not to the absolute, but to the relative fertility of the land.

Improvements in the application of labour and capital are of many kinds ; both in agriculture and in other occupations. Such as have an effect on rent may be considered as of two kinds ; namely, those which give a *larger disposable power* to cultivate, and those which, without doing this, simply *augment the return or produce* of agricultural industry upon the exertion of the same power. Amongst the first kind of improvements, are those in the implements and machinery employed, which have the effect of diminishing actual labour ;—the power-loom, for example. Amongst those of the second, are a more successful rotation of crops, and better management of the land, the introduction of more prolific kinds of vegetables, or a better choice of manure. The particular method in which improvements of these two kinds are effected is not material. Whatever gives a larger disposable power will assuredly lead to an extension and heightening of cultivation, and cause an advance of rents ; while improvements which simply augment the produce of agricultural industry, without giving greater power, will



not advance rents, in the first instance, though they will ultimately have that effect.

Although a full exertion, and a high state of efficiency, of industry, by which the people are enabled to raise a large quantity of produce from the land, have a decided tendency to cause high rents, they have sometimes been considered to have no such tendency. It has been said that an increase of rents does not follow from improvements in agriculture, or from an increased fertility of the soil; but that it results entirely from the necessity of resorting, as population increases, to soils of a *decreasing* degree of fertility.\* When soils of inferior fertility are resorted to, and resorted to as they must be with the customary profit, this is the consequence, and is evidence of an advance of rents; for no fresh land of inferior quality can be taken into cultivation till rents have risen, or would allow of a rise, upon what is already cultivated. But it is altogether the same whether the cultivation of these poor soils be *forced* by an increase of population, or take place *voluntarily* from other causes. When, through improvements in the application of labour or an augmentation of capital, the people acquire greater powers of labour, and a consequent improvement in their circumstances, they resort to inferior soils *voluntarily*, and not through the necessity of providing subsistence for a larger population; their augmented powers giving them the means of doing so, and the insatiableness of their constantly increasing wants presenting them with the inducement to apply these powers to the acquisition of fresh objects of desire in place of letting them lie idle. The effect in both cases is an advance of rents. In the case of the acquisition of a higher efficiency in industry, whether through an advance in the science and practice of agriculture, or through the employment of a larger capital upon the land, the first result is an augmentation in the quantity of produce, which is raised upon the whole with less difficulty than before; that is, with a smaller expenditure of labour. Such an increase in the productiveness of agricultural industry, which throws a larger quantity of produce on the market, is equivalent to a higher degree of natural fertility in the soil, an enlargement of the national territories,

\* Mr. M'Culloch's Principles of Political Economy, p. 269.

or a further acquisition to the country of reclaimed lands from districts previously not under cultivation. It renders less land necessary to furnish the quantity of produce previously supplied, and might thus be expected to lower both the price of produce and the rent of land. But in reality it has no such effect ; for notwithstanding there are, as it were, a greater number of acres in the country, there is, also, what is equivalent to a larger population to be supported on the produce they yield ; for the people have become richer, they have acquired larger means of consumption, they must be more abundantly fed, and with food of better kinds.

Besides, through the superior efficiency of industry, a portion of labour which was previously required to conduct the old process of husbandry to the former extent, is now set free, and must find occupation. But in what branches of industry shall this disengaged labour find employment ? Perhaps it may be best directed by an equal distribution among them, so as not to disturb their existing proportions to each other. In such case, it will be partly occupied in manufactures and commerce, and partly in agriculture, in the cultivation of new and unimproved lands, or in improving still further such as had been before improved.

Doubtless it is possible to conceive some great and sudden improvements in husbandry, which should cause the land to yield, with the employment of the present quantity of labour and capital, twice or three times the quantity of produce. Such sudden improvements in one department of industry, unaccompanied by corresponding improvements in other departments, would certainly cause some change in the direction of labour and capital ; and, in the case supposed, the least fertile land would at first be thrown out of cultivation, industry would be more employed in the arts and manufactures, and rents for a time would be considerably lowered. Even, however, in such sudden and wonderful improvements as here supposed, if they were accompanied by improvements of corresponding magnitude in other employments generally, no diminution in the quantity of labour and capital devoted to agriculture would ensue ; and, consequently, no reduction of rents. The demands of the

consumers would quickly grow up to their enlarged means of production ; and whoever would deny the assertions now made must be prepared also to deny the insatiable character of human desires.

But, in fact, no such sudden and wonderful improvements as have been now alluded to have ever been known in practice. Improvements, however considerable on the whole they finally prove, are usually partial in their extent ; tardily completed and brought to perfection ; slow and gradual in their adoption into practice. They are for the most part accompanied with simultaneous improvements in other occupations, which prevent any perceptible transfer of industry from one employment to another, and give time for the number of the people to grow up to the augmented power of providing for their support.

Mr. Malthus says, "These results appear to me to be so completely confirmed by experience, that I doubt, if a single instance in the history of Europe, or any other part of the world, can be produced, where improvements in agriculture have been practically found to lower rents. I should further say, that not only have improvements in agriculture never lowered rents, but that they have been hitherto, and may be expected to be in future, the *main* source of the increase of rents, in almost all those countries with which we are acquainted." \*

Thus improvements in husbandry, which increase the efficiency of labour, so far as they augment the quantity of capital employed upon the land, or extend and heighten cultivation, cause an advance of rents ; and this notwithstanding that they are equivalent to an increased supply of land, and send a larger quantity of produce to market. But if industry be properly directed, no derangement of it ensues ; improvements, in such case, cause both the supply of produce and of land, and the demand for them, to be greater in a corresponding degree, and without change in their relation to one another.

However, if any improvement in husbandry take place, which, while it *augments* the produce and *lowers the cost* at which it is raised *per quarter*, has no effect in extending and heightening cultivation, but the labour and capital set free from agriculture

\* Principles of Polit. Econ. p. 207.

find occupation in other branches of industry, such improvement would not cause an advance of money rents, or raise the profits of cultivation. It would simply prove beneficial to the consumers. But the landlord, as a member of this class, would partake of the benefit, and consequently the real value of rents would be indirectly raised thereby. A larger produce, we suppose, is raised at a less expense per quarter, and more commodities are to be offered in exchange for it. If, however, the rent be paid or estimated in produce, such rent will be increased by the improvement. The landlord will acquire a larger supply of provisions, but after consuming in his family a quantity as much larger than before as other persons are enabled to consume in consequence of the same improvement, the remainder which he has to dispose of for the purpose of purchasing other things, being of lower value, its larger quantity will sell for no more money than the smaller quantity that he received as rent, and which remained applicable to the like purpose, before the improvement had been introduced.

When we contemplate the universal order and harmony which prevail throughout all the works of creation, it is natural to suppose that the original fertility of the soil is in a due relation to everything else, especially to the powers of mankind, and such as is most likely to conduce to human happiness. But speculations have often been formed as to what would have been the consequences, if this fertility had been different from what it is. These may excuse a word or two on this subject. It is on the productiveness of industry, but more especially on the facility of acquiring food and those other necessities of life which the soil affords, that the power of supporting population, of acquiring wealth, and of advancing the other interests of humanity, depends. Again, high rents are the certain accompaniments of populousness and affluence. If, then, the natural fertility of all the lands in the world had been considerably less than it is, this would have been equivalent to a deficiency of skill and capital in husbandry, and a feebleness in the powers of agricultural industry; whence a universal poverty would have overspread the earth; the greater part of its population, its wealth, its sciences and arts, its morals and religion, would never have had an exist-

ence ; only a small portion of the soil of most countries would have admitted of corn cultivation ; the largest portion of it would have remained waste, and rents would have been greatly lower on all the rest. On the other hand, if the natural fertility of the soil had been considerably more than it is, we might apprehend that the stimulus of necessity, which has so much contributed to sharpen man's powers, and raise him in the scale of existence, would have been wanting ; that the same unfortunate results would have followed, and that he would everywhere have been found, like those indolent and barbarous nations which inhabit the fertile regions within the tropics, in the lowest state of degradation. If, however, this had not been the case, but the people had been as industrious, skilful, and enterprising as at present, the world would unquestionably have been greatly richer, and rents would have been considerably higher than they now are.

In a country where there is an abundance of land of considerable fertility, the labour of only a small portion of the inhabitants is required for cultivating the soil and raising the necessary food. It has been affirmed that, in the West Indies, the labour of thirty or thirty-five days in the year on the provision-ground allotted to the slave, is sufficient. If this be true, the labour of one man could raise provisions for ten. This representation is probably exaggerated, at any rate it is an extreme case. " In France and Italy, the agriculture of the peasant tenantry is good when compared with that of similar classes elsewhere, and the soil and climate are, on the whole, excellent ; yet the number of non-agriculturists is in France only as 1 to 2, in Italy as 4 to 13, while in England, with an inferior soil and climate, (agricultural climate, that is,) the non-agriculturists are to the cultivators as 2 to 1. In England, too, a larger number of animals are kept for pleasure, and a variety of purposes unconnected with cultivation : the power of feeding these must be reckoned, when we calculate the efficiency of her agriculture."\* Now if one-third of a nation's labour be required for agriculture, the other two-thirds will be employed in procuring the comforts and conveniences of life, and will afford a more ample measure of superfluities,

\* Distribution of Wealth, by Rev. R. Jones.

than if two-thirds be required for agriculture, leaving only one-third applicable to other purposes. Thus the inhabitants of a country are affluent or otherwise chiefly as respects the efficiency of their industry in relation to the fertility of their soil. The more fertile the country, the larger will be the share of the comforts and conveniences of life enjoyed by the people,—their industry and skill being the same. But if through a deficiency of fertile land, or an increase of population, it become necessary to cultivate the inferior soils, the condition of the inhabitants must become worse, unless this result be counterbalanced by an improvement in the effectiveness of their labour. Yet though the whole wealth of the community is proportioned to the average fertility of the soil which is cultivated, the measure of it which falls to those who have no property in land is only in proportion to the quality of the worst land in tillage. If the land, on an average, require the labour of one-third for raising food, but the worst land in cultivation require two-thirds, the inferior ranks will have only one-third to provide themselves with other articles. It is the same to them as if no better land existed. The benefit arising from the more fertile is intercepted, in the form of rent, by the proprietor.\*

Of corresponding effects with a greater productiveness of industry, is the general use by the people of a kind of food which is raised upon the land in abundant quantities and with facility, instead of food requiring a larger surface of land, and which with the same labour can only be raised in smaller quantities.

Though a certain mixture of animal and vegetable food seems most congenial to the human constitution, yet it is not always that animal food is in habitual use by the poor, and in many countries, vegetables are their only subsistence. In India, the Hindoos of all classes take no animal food; while in Europe, the habits of the poor in most places call for some portion of meat, as well as milk, butter, and cheese, with their other food. Again, while in most parts of Europe corn of some kind or other forms the principal food of the people, in Ireland potatoes are their chief sustenance; in India and China rice; and in New Spain maize and the banana. Now potatoes, rice, maize, and the

\* Progress of Society, by Dr. Hamilton, p. 143.

banana especially, are all of them yielded in much larger quantities than any kind of grain in use in this country. The best lands in England yield from 36 to 40 bushels of wheat per acre, while the worst under tillage only yield from 8 to 10 bushels; But of rice from 30 to 60 bushels per acre is said to be the ordinary produce, with two crops in the year. The banana in the tropical countries is more prolific than any vegetable in use in Europe. Maize, though not so productive as the banana, greatly exceeds the productiveness of other kinds of grain. In New Spain the general return is considered to be 150 to 1. We have alluded already to the assertion, that twelve times as much land would be required to support a man upon butcher's meat as would be sufficient to support him upon wheat, and seventy times as much as would support him on potatoes. Though the estimate may be overcharged, it is sufficient to give an idea of the great difference between them. But a piece of ground which, if sown with wheat, would not raise more than enough to support one individual, would, if cultivated with the banana, afford more than sufficient food to maintain twenty-five persons; and with less labour.

According, then, as a greater or less quantity of land is required to afford the subsistence which the custom and habits of the people establish as necessary to them, must labour and capital be directed to cultivation, and consequently, the rent of land be high or low relatively to the population which the land supports. Should potatoes ever become in England, like in Ireland, and like rice in India, the common and favourite vegetable food of the people, so as to occupy the same proportion of the lands in tillage which wheat and other sorts of grain for human food do at present, the same quantity of cultivated land would maintain a much larger population. If the change were sudden, perhaps at first a large extent of the poorer land would be thrown out of cultivation; for there could not be for a considerable time such a multiplication of people as to consume the quantity of potatoes that might be raised from the land before sown with wheat. At first, therefore, rents must fall; but ultimately the population increasing, rents would rise again to their former level, or even become higher than before. In those

countries where rice is grown, the watered lands adapted to its cultivation are known to afford very high rents,—sometimes two-thirds of the crop. But whether the land be cultivated with productive crops which support a dense population, or with less productive, as wheat for instance, which can only support a comparatively thin population, rents in both cases are governed by the same principles. In the former case, however, the increase of population may go on with little check from want of food, a very large capital may be employed upon the land, and soils of very inferior quality may admit of cultivation with the customary profit, yielding a high rent to the landlord.

The thrashing machine, upon which so much popular vengeance has been wreaked, is, notwithstanding the odium which has been excited against it, an invention from the adoption of which the most unmixed and purely beneficial consequences result; and more especially to its greatest enemies, the poor; by enlarging the means of their subsistence, and rendering food plentiful and cheap. To debar us of the advantages which this machine confers, would be like bringing a curse of barrenness upon our soil, or a perpetual blight upon our crops. Though the use of this machine does not cause a larger crop to be raised from the land, yet it prevents the loss of grain which would otherwise be thrown away in the straw, and is therefore equivalent to raising a larger produce, or to a greater productiveness of the soil. It is said not to lessen the expense of thrashing, but to do its work cleaner, and with greater certainty and expedition than the flail. The effects of drill husbandry are similar to those which result from the use of the thrashing machine. The saving of seed-corn effected by the drill, while the land is not merely equally well, but much better sown than by the broad-cast method, renders the *net* quantity of corn which, after deducting for seed, remains available for consumption, larger than before. It has been said, that the thrashing machine and the drill together, save one-tenth of the grain from being wasted; and, the quantity of wheat raised in Great Britain being fifteen millions of quarters, their universal use would save to the country in wheat alone one million and a half of quarters annually; equal in value to £4,000,000. The effect of the



greater productiveness of agricultural industry, from these and similar improvements, is to augment the produce without enhancing the cost at which it is raised, which is equivalent to raising and bringing the corn to market at a less expense per quarter. If instead of a tenth, these improvements had doubled the former quantity of net produce, and been all at once universally adopted in practice, they must for a time have thrown the poor soils out of cultivation; they would have ruined the farmers who held their lands on lease; and as the supply of food would have been acquired with less labour than before, more labour would have been directed to manufactures. But these improvements are never adopted suddenly and generally throughout a country; they spread slowly and partially, and the additional quantity of corn sent to market from time to time, through the savings effected by them, is not of such magnitude as to overload the market, and thus to dispense with so large a portion of the industry of the country being employed in agriculture, and throw the poor soils out of cultivation; but the larger quantity of produce is raised upon the same land, and at the same cost, as the previous smaller quantity. The effect, then, of these improvements upon rent is in the first instance nugatory; the whole larger quantity of produce sells in the market for the same sum as the whole smaller quantity sold before; the profits of the farmer remain the same; while the price of produce falls, and the consumer is more abundantly supplied.

But although the gradual introduction of these improvements produces no other effects than have been now mentioned, it is reasonable to infer, that if a larger supply had not been procured in this way, the wants of the people, when an increase in the powers of industry should have allowed, would have withdrawn some hands from manufactures to extend cultivation further, in order to acquire a more ample supply of food. In such case, while manufactures would have been less abundantly supplied, rents would have risen, an effect which has been prevented by the improvements in question. Such improvements, then, as they render less land necessary to yield the required supply, must have a tendency, if not to lower rents in the first

instance, at least to prevent their advance. Their ultimate effects, however, by giving the means of supporting an increase of population, are the reverse. The chief effect which we must ascribe to the introduction and spread of these improvements, is the moderate prices of our agricultural produce, that they have not rapidly advanced, as population has increased, but have lagged at a great distance behind.

The productiveness of the agriculture of a country depends, in a great degree, upon the amount of capital devoted to cultivation. When an augmentation of national capital takes place, so as to become redundant in those departments in which it has been usually employed, new sources of employment must be found for the additional quantities. They accordingly become diffused through every department of industry, and in part are directed to extend and heighten cultivation. Savings and accumulations of capital thus become expended in ameliorations of the soil, clearing, draining, fencing, and bringing new waste land into tillage; constructing additional and better farm-buildings, improving roads, and enlarging the productive powers of the soil. Capital, in this way, becomes fixed and transformed into landed property; the amount of the productive agency of land in the market is thus augmented, and the same effect is produced as though an acquisition of land had been made from the sea, and the number of acres were increased. Again, we know that an extension and heightening of cultivation, while it augments the quantity of produce raised, can usually, except through improvements in husbandry, be only effected with a diminished *ratio* of productiveness; and the increase of capital is sure to be followed by a general reduction of interest and profits through all the departments of industry, from the difficulty, or impossibility, of finding new and sufficiently ample sources of employment for the additional quantities, at the same rate of profit as on the previously employed capital. While, however, from the expenditure of capital in landed improvements, the supply of produce must be increased, we cannot anticipate a fall in its price, from this cause, or a less demand for land than before, from what is equivalent to an increased supply of it. It is the want of occupation for an enlarged quantity of unemployed capital that has

been the cause of this extended cultivation and new supply of land, while the possession of the enlarged quantity has increased the powers of industry and employed it in the cultivation in question; and since this capital, by supposition, has been diffused uniformly through all the branches of industry, although a larger supply of produce has been the result, it has been accompanied in a commensurate degree with a larger supply of other articles: indeed, a larger supply of produce is called for to exchange against the larger quantity of other commodities: the supply and demand are both greater, but without alteration in their relation to each other. The greater quantities on the one side will, therefore, freely exchange for the greater quantities on the other; without any derangement of industry, or glut of produce. If then it were possible, in such a state of things, that the money price of produce should fall, the *commodity* price, or the quantity of goods for which it would exchange, could not fall simultaneously. This *commodity* price cannot fall, when the produce must necessarily bear a relatively higher value, from the greater cost at which its last increased quantity from the poor soils is raised. If, however, the money price should neither rise nor fall, yet an extended cultivation is still, in this case, not only practicable, but profitable; although attended with a diminished ratio of productiveness, and a smaller profit to the cultivator. From the increase of capital, and consequent fall of profits, the rate of profit which will satisfy him, is not what he acquired before the increase of capital took place, but that which the capital when now employed in the most advantageous manner in other occupations can be made to yield; and this rate of profit being less than heretofore, lands may, in such case, be cultivated, which could not previously have been done without disadvantage. For example, when the average profits of capital are twenty per cent., no man would extend cultivation over land so poor as to return only fifteen per cent. on his capital. But when profits in every other business have fallen to fifteen per cent., the barrier to the entrance of the cultivator upon such land is removed, and it may then be cultivated without disadvantage; since no better profit could be obtained elsewhere.

But although, in this case, a diminution takes place in the rate of profit on the capital employed by the cultivator, this cannot lower the rent of the land. The fall in the profits of farming has been occasioned by a general augmentation of capital, by which profits have been reduced universally throughout all occupations, and the rent is not lowered; because, notwithstanding the profits of cultivation are less, its *surplus* profits over other occupations are not less. On the contrary, when larger quantities of capital have become fixed on the land in permanent agricultural improvements, as well as larger quantities employed in its actual cultivation, and when tillage has been pushed over outfields of new and inferior soils, whether from the want of employment for an augmented quantity of capital, or from a reduction of profits lowering the expense of raising produce upon the old lands, the gross profits of cultivation of these lands out of which rent is taken, being upon a larger capital, must be greater in amount, though perhaps lower in their rate per cent.; and the rents upon them cannot but advance. Cultivation cannot, in the nature of things, be heightened and extended, unless larger returns are acquired on the labour and capital previously employed, than are gained on what is last applied in such heightened or extended cultivation, and above what the same amount ordinarily yields in other occupations.

It may be remarked, that the whole agricultural produce of a country is susceptible of increase or decrease from several circumstances, without any variation in the shares or proportions of it which, in the distribution, fall to the different parties concerned in its production. And, again, the relative magnitude of these shares or proportions may vary, though without an alteration in the whole quantity of produce raised. But, while the population and productive power of a country continue stationary, whatever increases its whole agricultural produce, without occasioning a corresponding diminution in the produce of other kinds of industry, must benefit some party. It cannot fail, indeed, to benefit all parties so far as they are consumers.

The advantages which result from an increased supply of the produce of the soil, from the extension and heightening of cul-

tivation consequent upon an augmentation of capital and fall of profits, accrue more especially to the landlord and the labourer; while the farmer gains nothing from this increase. The landlord gains, not only as consumer, in the cheapness of provisions and other produce of the soil, through the reduction in the charge for profits on the capital employed in raising them, but he gains also as producer, in the larger surplus of profit which the employment of a larger mass of capital in the cultivation of his land affords; or, which is the same thing, in the larger surplus profit which his land affords over that poorer land which under the new circumstances can be cultivated without disadvantage. But this advantage of the landlord is gained, not at the expense of the labourer, but out of the profits of the farmer. The labourer, as consumer, comes in for his full share of advantage in the larger quantity of produce which is brought within his reach, and the smaller charge for profit on the capital employed in raising it. A fall of profits, or a reduction in the price of the hire of capital, cannot occur without effecting a real, though unapparent, rise in the real wages of labour. The farmer gains, in some degree, it is true, as consumer, in the reduced price of many articles on which his income is expended; but he suffers as producer; and in this respect he stands distinct from the two other parties, for there is a diminution in the *rate* of profit he acquires. But though individuals, whose capital has not increased in the general increase that has taken place, may thus suffer, the class of capitalists as a body are more than indemnified for a small reduction in the *rate* of profit, by the larger amount to which their capital has accumulated, and on which their profits accrue. Thus, however some individuals may suffer from a general augmentation of capital, the most predominant interest must be promoted thereby, which cannot but gain by everything which heightens the efficiency of industry and increases the quantity of produce to be enjoyed.

It has been said that a man can afford to give more for land when he knows how to make a better use of it, and we know that the rent is not what the landlord can afford to let the land for, but what the tenant can afford to give for it. Yet this argument in support of the position that improvements in hus-

bandry have the effect of raising rents, must be received in a qualified sense, and not so as to induce an inference from them that the advance of rents will be equal to the improvement. When, from such improvements, more produce than before is raised from the land, and its supply in the market increased, its price must fall; for the expense of its growth is lessened. If such improvements were known only to a few persons, their effect on prices would be imperceptible, and the few who practised them would then be *able* to pay more for land, from knowing how to make a better use of it. But when such improvements come into general practice, the case is different; less land will be required to furnish the same supply; and when the number of acres in a country is thus, as it were, increased, and a great quantity of produce thrown upon the market, which has lowered its price, the supply of land becomes greater than before. Such a state of things would prevent higher profits being gained by cultivation, and disable the farmer, who has to live by the profit of the land, from paying a higher rent, notwithstanding that means have been found of raising from it a larger produce. Such improvements can only advance rents, from setting free a portion of labour, which must find occupation in part in extended and higher cultivation. The farmer can afford to pay more for land, not when he knows how to make a better use of it, if by that expression be meant, to raise a larger produce, but when he can acquire a larger gross profit by its occupation: it is on the *profit* and not the *produce*, which two are distinct things, that the amount of rent depends.

From observing on the magnitude of the powers of industry applicable to cultivation, we proceed to speak on the circumstances by which the price of produce is determined.

In order to understand how the price of agricultural produce in any country is determined, let it be observed, that such country has a given power of labour applicable to the general purposes of industry, from which power both its means of cultivation of the soil and its means for the purchase of its produce are derived. Now the means of cultivation and of purchase possessed by the population call for a certain quantity of agricultural produce, in order to its maintenance, in that measure of comfort which

these means afford; and the people are both enabled and willing to give in exchange for this quantity a certain quantity of other things. No doubt, they will give as little as possible, but there is a certain quantity which they will give, if their supply cannot be procured for less. Thus the expenditure of revenue is directed *in a given measure* to agricultural produce, and the demand for that produce will accordingly be commensurate with it. Again, competition tends constantly to an equalization in the advantages of all occupations, so that the net profits of cultivation cannot permanently be either much higher or much lower than in other occupations: for the sake of argument, they may be assumed to be equal.

But the qualities of land, its situation, and the expenses of cultivating it, are very different in different instances: the qualities varying through every gradation from the highest to the lowest degree of productiveness. In order to furnish any required quantity of produce, or to procure thereby a certain quantity of other articles in exchange, it is necessary to employ some land which is inferior in quality to any of the rest; because the whole of this required quantity cannot be furnished without having recourse to such land. Hence, whatever is the cost of raising produce from this inferior land, including the payment of the value of the wild productions it yielded before it was brought under cultivation; or, which comes to the same thing, whatever is the cost of that last increased quantity of produce raised by the last portion of capital expended in heightened cultivation on better land, it determines the price in the market, not only of what is raised from this poor land, and by this high degree of cultivation, but of the whole quantity in the market, whatever may have been the facility with which it was raised, or however superior in fertility the land that produced it.

Again, not only is the price of agricultural produce necessarily equal to the expense of raising that portion which costs the most, and never liable to fall below it, but it is so determined and limited by this amount that it cannot much exceed it. If the nature of agriculture were, that a larger quantity of produce when required could not be raised by heightened cultivation, and if, in addition to this, there were no more poor soils which

could be brought under tillage, in such case, produce would be furnished under a monopoly, and its price be determined after the manner of other monopolies. So long as the means and inclinations of consumers caused expenditure to be directed in a given measure to agricultural produce, this measure of demand would cause it to maintain the same price, notwithstanding that savings, in some way or other, should be made in the expense of raising and bringing it to market. But since the nature of agriculture is contrary to this, and since there is always the means of augmenting the produce when required by heightening cultivation, even if no more poor land remain uncultivated, if the cost of production at any time fall, while the price remains as high as before, an unusual profit must accrue by heightening cultivation, and thus the produce would be sure to be augmented, and the price reduced by the larger supply, to the level of the cost of production under the new state of diminished expense.

As long as there is in any country poor land which, under existing circumstances, admits of cultivation, but admits it only on being rent-free; and, again, as long as additional capital can be applied in a higher cultivation of other lands, but which can only be so done with the customary rate of profit upon it, because no more rent is paid for the land when this capital is expended upon it than would be paid if it were not expended, so long will the growth of produce be free from any monopoly, and its price will not be a monopoly price. Hitherto we have not known circumstances to exist in which more labour and capital might not have been expended in heightened and extended cultivation, had an increased demand for produce and a higher price arisen, to call for and remunerate such expenditure; and, from the nature of husbandry, it is difficult to conceive the existence of such circumstances. Thus, when industry is free, the price of produce is never a monopoly price, but determined solely, on the ordinary circumstances of competition, by the cost of production of the last portions furnished from the poorest land; with the addition of the value of the wild productions it previously afforded, or through the most heightened cultivation of other land, and consequently raised at the greatest expense.



If the people were fewer, and required only a smaller quantity of produce than we have supposed, or were able and willing to give in exchange for it only a smaller quantity of other things, the cultivation of the poor land that has been mentioned would not be requisite, because the better lands would be sufficient to yield the whole required quantity. But, notwithstanding this, the price of produce, although it would be lower, would still be determined on the same principles; for this better land is itself of unequal degrees of fertility, and there is in it some of inferior quality to the rest. The price of produce, then, will be determined, as before, by the expense of raising it upon this worst land which it is now necessary to keep in tillage to furnish the supply: the price will be lower, because the land is not so bad as before.

Again, on the other hand, if population were to increase, or a foreign demand for grain arise, and instead of a smaller quantity of produce, a larger quantity were requisite, while the people of our own or other countries might be able to give a larger quantity of other things for it, land of still worse quality than that which was first supposed must be brought into tillage, in order to furnish the larger supply of produce required. In this case, likewise, the same principles operate, and the price of the whole produce sent to market must rise to that point which would afford the customary rate of profits and wages to the cultivators of this worst land.

Thus, according to the population to be supported, and the means of its production and consumption, will be the prices of produce in the market, and the quality of the worst land in cultivation. If either the amount of population, or the means of its consumption, should fluctuate, so would the extent and degree of cultivation, the quality of the worst land employed, and the prices of produce. In such case, the poorest land would alternately be abandoned and resumed, as the required quantity of produce should increase or decrease, and, consequently, as the remunerating nature of the prices in the market should render their cultivation profitable or unprofitable.

Whence it appears, that the price of agricultural produce, like the price of everything else, is determined, first, by the com-

petition of the market ; and, secondly, by the circumstances in which the parties in the competition on the two sides are placed ; that is, the cost which they are respectively at in the production of the articles they offer for exchange against each other. But in agricultural produce there is this difference, that it is not the cost *to the whole body* of cultivators, or to the average of them, but to *the cultivators of the least productive soils*, that determines the competition on their side, and the conditions under which every one of them makes the exchange. In fact, the circumstances of the farmers of the least and of the most productive soils are alike, for the landlord demands, on the more productive, a rent exactly equal to their superior productiveness, and, consequently, neither of them can afford to undersell his neighbour. The rent, however, is not the *cause* of prices, but their *consequence*. The price is necessary to obtain the required quantity of produce, notwithstanding that the largest part is raised at so much less expense as might, if a smaller quantity only had been required, have borne a considerably lower price.

Hence the difference between agriculture and manufactures. If the price of any manufacture were essentially depressed, whether by foreign competition or otherwise, and could not be raised to its proper level by contracting the supply, the whole manufacture must be destroyed. But, if the price of corn were essentially depressed, it would not be the *whole* of the land which would be thrown out of cultivation ; but only the *inferior soils*. The extent of cultivation would be diminished, but there would be some land from which the market might still be furnished at a reduced price.

Having thus noticed the circumstances by which the *price* of agricultural produce is determined, it remains to consider those which affect the *expense* of its growth and sale, whereby the gross *profit* of the cultivator, out of which rent is to be paid, is determined.

When the cultivation of land yields no higher profits on the capital employed upon it than the same capital would acquire if employed in other occupations, no rent whatever can be paid to the landlord. But as much as this profit exceeds the profit

which that capital could acquire in other occupations, so much must the tenant expect to be obliged to pay in rent.

The expenses of cultivation, therefore, are ultimately matter of no moment to the tenant. If they are high, the rent will be low; and, on the other hand, if they are low, the rent will be proportionably high: they are a matter of concern to the landlord alone. The tenant is concerned only that *his* expenses shall be as low as those of any one else who should offer to take the land. Neither, for the same reason, is the farmer concerned in the price of produce in the long run; but only in the price which may obtain while his *existing* lease or agreement shall last.

The expenses of cultivation may be comprised under the following heads; first, interest and profits of capital; secondly, wages and charges for labour of all the different kinds required in conducting the business; and thirdly, taxes. Under one or more of these heads may be classed all the expenses to which the cultivator is subjected in bringing his produce to market. After payment of these expenses, including therein the customary rate of profit on the capital employed, the surplus which may be yielded by the price of the produce when sold, goes for rent.

We proceed to notice the effect of these charges in raising or lowering rents, according as the charges are low or high.

The profits of capital forming part of the expense of bringing to market the produce of land, that expense, consequently, varies as interest and profits rise or decline. The customary interest and profits of capital usually fall or rise as capital becomes abundant or scarce in relation to the employment for it; and it is possible that they may sometimes fall or rise in a country, not because its capital has increased or decreased, but because the known sources of employment for it have become greater or less, or more or less productive.

Let it be supposed that profits of capital have fallen in a given country, not through an increase in the amount of national capital, but through the loss of some branches of industry, or the drying up of some source of its employment. A lessening of the sources of employment for capital takes place either in

agriculture or in some other occupation. If it be in other employments, this, as regards the extent of the cultivation of the soil, is equivalent to an increase of national capital and population; more labour and capital are available, and must be devoted to cultivation, from the want of other occupation. Now in applying successively additional portions of labour and capital to cultivation, they yield a continually decreasing rate of return, and a rent may be charged upon every one of these portions, except the last, which yields only the ordinary profits of capital and labour: all the preceding portions yielding more than the ordinary profits. The same thing happens if, instead of heightening the cultivation of the lands already under tillage, this greater abundance of capital and labour available to agriculture be applied to the extension of cultivation over inferior soils. These comparatively barren soils must yield a lower rate of return in produce to the labour and capital expended on them than the better soils, and only admit of cultivation through the absence of a better occupation, in consequence of the loss of branches of trade formerly possessed. Now, although the condition of the people must have deteriorated through the comparative unproductiveness of their whole labour and capital, and their real means of purchase be diminished, yet, under the circumstances now supposed, rents must advance. When the direction of industry to agriculture must be augmented, the mass of capital employed upon the land increased, and poorer soils be taken into cultivation, those lands previously under tillage, and which are of better quality than the last taken in, must yield higher profits, and bear an increase of rent equal to the sterility of the worst soils which, under the new circumstances, will bear to be cultivated without loss. Those poor lands, which heretofore could not yield any rent, now that still poorer soils admit of cultivation, will afford to pay a rent. Again, when additional portions of labour and capital are employed upon the better land, the number on which the landlord is enabled to demand a rent is increased; and when the last portion of labour and capital employed must yield less than any previously invested or expended, the share on all the former portions is also increased; so that his advantage may be spoken of as derived

in two ways ; first, from the number of portions on the profits of which he takes a share ; and, secondly, from the increase in the shares themselves on all the former portions. In the natural progress of improvement, profits fall, and thus rents, when not curtailed by taxation, rise in a greater proportion than the price of produce, though in a less proportion than the quantity of produce.

The position that an advance of rents takes place from an extension of cultivation, and the employment of much capital upon the land, is corroborated from the fact that, in the progress of society, which has always been accompanied with an extension and heightening of cultivation, rents have uniformly risen. If we look back to former times, when but little labour and capital were employed upon the land, we observe that rents were low, and that they have subsequently advanced gradually as more labour and capital have been applied to cultivation. They have not, however, advanced in an equal proportion with the extension of cultivation, or the increase in the quantity of produce. Every diminution in the expense of cultivation may allow of the employment of additional capital ; and when either new land is brought under tillage, or the old improved, the increase of produce may be considerable, though the increase of rents be trifling. In the progress towards a high state of cultivation, the quantity of capital employed upon the land, and the quantity of produce yielded by it, bear a constantly increasing proportion to the amount of rents. In ancient times, when the cultivators were poor and husbandry was badly conducted, rent was usually half the produce, and sometimes more ; as it is now in many foreign countries similar in circumstances to what our own were in those times. Yet, though rents have more than quadrupled since those days, the proportion of the produce is now thought to be rather under than over one-fifth part, and this one-fifth is perhaps three or four times greater than the half was before. Arthur Young gave his opinion, that the average proportion which rent bears to the value of the whole produce did not exceed one-fifth ; whereas formerly, when less value was produced, the proportion amounted to one-fourth, one-third, or even two-fifths.\*

\* Evidence before the House of Lords, given by Arthur Young, p. 66.

It is seldom, however, that the profits of capital fall through the contraction or drying up of its existing sources of employment. The more common cause is a general increase of capital, for which new sources of investment must be found. This increase has the same effect in extending and heightening cultivation as a greater abundance of capital available for cultivation through the loss of existing employments, and in the same way is productive of a general advance of rents.

But if we could suppose a fall of profits to take place without any addition to capital, and from some circumstance which should not occasion either an extension or heightening of cultivation, the saving thus effected in the expense of bringing the produce of land to market would cause no change in rents. The fall of profits, as it would operate universally on all occupations, would not affect the *surplus* profit afforded by the cultivation of land *over that procured in other employments*, which *surplus* constitutes the landlord's rent. Let a country be supposed in which the average rate of profits is ten per cent., and that the occupation of a particular farm yields a gross profit on the capital of twenty per cent. The landlord's demand in this case will be ten per cent. on the capital employed; being the excess of profit which is procured by the occupation of the farm over what the capital would return elsewhere. Now if profits in that country fall universally from ten to eight per cent. on the average, the farmer's net profit on holding this farm must fall to the same rate. But in this case, the landlord will not be able to advance his rent, because the farmer's profit will have been lowered either from a decline in the prices of agricultural produce, or an advance of wages or other expenses; for usually when profits fall, the rewards of labour rise in an equal degree, and as the gross profit will fall, *surplus* profit will not be greater than before. Since, then, a fall of profits, independent of a power of pushing cultivation over inferior lands, and of employing additional capital upon other lands, has no effect upon rent, such a fall of profits would go all to the advantage of the consumer, and while the capitalist would suffer as producer, and only participate as consumer, the benefit to the labourer and landlord would be without any deduction: the real rewards of

labour would be raised, and the landlord would participate in common with every other consumer in the advantage of a low rate of profits ;—in the exchange of his rent, or its equivalents, for the various productions of industry, he would pay less for the use of the capital employed in their production.

On the other hand, let it be supposed that the profits of capital have risen in a given country. This rise must be the result, either of a loss and diminution in the amount of national capital, or of a larger or more profitable opening having been found for its employment ; and, again, this larger opening must be either in agriculture or in some other occupation. According as the rise of profits is the consequence of a loss of national capital, or of the enlargement in the sources of its employment, will the general condition and affluence of the country be diminished or increased, and the real ability of the people to purchase commodities determined. But it is not wholly by such circumstances that rent is fixed. If the larger or more profitable opening for the employment of capital be, not in agriculture, but in some other occupation, capital and industry will be drawn from agriculture to this other occupation. The change of industry will cause the supply of agricultural produce to be diminished, while the means of purchasing it are larger, through the more profitable direction which industry has received. A rise in the price of produce follows, and the profits of farming are increased. But, although the profits of cultivation will thus be raised, the *surplus* profit which it will yield above other employments will not be greater than before, and rents cannot rise from such an advance of profits. On the contrary, less land than formerly will be cultivated, since part of the industry of the country has been drawn off to the new occupation. When the poor land is abandoned, because there are not hands to cultivate it, nor so great profit to be acquired thereby as in the new employment, the rents on all the remaining lands in cultivation must be reduced.

If the larger opening for the employment of capital be in agriculture, through improvements in husbandry or discoveries which render more capital applicable with advantage, though no more exists than formerly, capital will be drawn from trade and

~~manufactures~~ to be employed upon the soil ; a greater quantity of ~~agricultural~~ produce will be brought to market, and its price ~~must fall~~. But though the extension and heightening of cultivation have usually a direct tendency to raise rents, yet when the profits of capital must be larger, the surplus profits will be diminished thereby, and in such case, rents cannot greatly advance.

High profits, then, which prevent the cultivation of the poorer lands, cause rents to be low ; while, on the other hand, low profits, and their usual accompaniment, a large capital devoted to agriculture, which spread cultivation over such lands, usually cause rents to advance.

We proceed to the consideration of the effect which wages have upon rent.

We cannot determine the effects of the wages of labour on rent, unless they be considered in two distinct points of view,—first, as high or low wages of labour *in general*; secondly, as high or low *agricultural* wages.

The condition of the labourer does not solely depend on the quantity of *agricultural produce* that is within his reach, or the share which comes to him in the distribution of that produce. Though scantily and badly fed, the efficiency of labour in other branches may cause him to be comfortably clothed, lodged, and well furnished with necessaries and conveniences of other kinds. His scanty supply of food may thus be partly compensated in other ways, and his condition on the whole rendered tolerable.

If the productiveness of industry, generally considered, cause the rewards of labour to be ample, this will have an effect on rent. When the people are well clothed, lodged, and furnished with comforts and luxuries, they are placed in circumstances in which, by a sacrifice of part of these, they are able to obtain an ample supply of provisions ; and, in this case, we may expect to find cultivation flourish, with the rent of land high in proportion to the population which is supported on its produce. On the other hand, if ignorance of the proper processes in the arts, and a want of the tools and machinery which are suited to the different branches of manufacturing and commercial industry, cause the labourer to be badly clothed and lodged, and scantily



furnished with other necessities, the imperious want of such things must cause him to save as much as possible from his expenses for meat and drink, and devote a large part of his time and means to procure a supply of manufactures. Cultivation then will be restricted within narrower bounds than those to which, under more favourable circumstances, it would be carried; and rents will be low in comparison with the numerical population the land supports. It cannot be otherwise than this, when a large portion of the industry of the people must be directed to manufactures; and when, consequently, there is neither time to bestow in heightened cultivation, nor the means of purchasing its produce.

Thus it is that high or low wages of labour of all sorts have an effect on rent. Whence we evidently see, that the interest of the landlord is indissolubly bound up with the general prosperity of the people. There are cases in which the landlord may gain a limited advantage at the expense of the rest of the community; but the general case, and that which is of permanent duration, is, that his interest is promoted by everything which advances the public interest, and suffers with everything that injures that of the people. So far from his interest being always opposed, as it has been affirmed, to that of the consumer and manufacturer, he is deeply concerned in the progress of society, the heightening and diffusing of knowledge and skill, and the consequent advancement of the productive powers of industry, the growth of opulence and population. In the progressive advancement of nations, the natural tendency of rent is to be continually rising. With every increase of population and of wealth, there are more persons to be fed, and to be better fed; and while the quantity of land cannot be increased, the demand for it goes on continually augmenting. These are advantages accruing to the landlord in the very nature of things. But, besides these, as population advances, he sometimes derives benefit from his neighbourhood becoming the seat of manufacturing or commercial industry, the discovery of mines, the formation of a canal or road, and other accidental circumstances.

What has been now said has had reference to the wages of

labour in general, and the condition of the working classes at large, and has proceeded on the supposition, that the wages of agricultural labour were on an equality with other kinds of labour. But the farm labourer may be either better or worse paid than workmen in other departments of industry ; and, in fact, throughout Europe generally, this kind of labour is worse paid than almost any other. Although industry as a whole, when adequately skilled, and properly distributed in the different employments, cannot exist in excess of quantity, and has no competition to fear ; its rewards depending, after deduction for rent and profits of capital, solely on its own productiveness ; yet, through the division of employments, the individuals in the separate departments of labour enter into competition with one another, and, in offering to undersell each other, the rewards of every separate department are thus relatively high or low, according as that competition is more or less active in it than in others, and thus determines the preponderance for or against it. A disparity subsisting between the wages of labour in agriculture and wages in other occupations has an effect on rent ; and which effect we purpose here to consider ; first premising, that in the term agricultural wages will be included, not only the wages of the farm labourer himself, but those also of the artificers, such as the smith, the wheelwright, and others who are employed by the farmer, or whose wages form part of the expense of conducting his business.

If the wages of agricultural labour were higher than other kinds of labour, this would cause rents to be lower than they otherwise would be.

This will be evident from the following considerations. The supply of agricultural produce will not be increased because the labourer's wages are high ; for his industry is not more efficient in such case than before ; and though he may work somewhat more when better paid, yet as others will be worse paid no great effect will result from thence. Neither will its consumption be increased from this cause, for although the agricultural labourer himself may be thus enabled to consume a larger quantity, some other parties must be compelled to retrench their expenditure in a corresponding degree ; since the produce of industry, and,

consequently, the means of expenditure of consumers on the whole, remain nearly the same. But while neither the supply nor the consumption of raw produce can be increased by relatively high wages in agriculture, the demand for it must be less from its dearness in comparison with other articles. If then a great cost must be incurred in bringing the produce to market, through high wages, while its consumption is small, the price cannot be raised in a degree adequate to its higher cost. The cultivation of the poorest lands must be abandoned, the gross profits of farming must decline, and the surplus above other occupations, which goes for rent, be diminished.

On the other hand, if farm labourers multiply faster than the employment for them, and if, through the difficulty of transferring such labourers to those branches of industry whose products are in higher request, or otherwise, the wages of agricultural labour become depressed below those of similar kinds of work in other employments, the amount of this depression will go into the landlord's pocket.

When through such depression the cost of bringing to market the produce of land is low, the working of the soil will be deepened, and wrought up to a more elaborate tilth, at the same time that the domain of cultivation will be enlarged to comprise a more extensive out-field of poor land than, under other circumstances, could be done with advantage. The gross profits of farming will be high, and that surplus profit over other occupations which constitutes the landlord's rent be large.

In countries or neighbourhoods where manufactures are deficient, and where, consequently, there is not sufficient employment for the working classes, an active competition amongst them is often found to obtain small portions of land for cultivation, there being no other resource, as their numbers multiply, but procuring land on which to bestow their labour, and from which they may draw the subsistence of themselves and families. The consequence is a high rent of land in small portions, or a high sale price when disposed of in such portions. This first is the case in Ireland, where rents are paid for small holdings, sufficient to yield potatoes for a family and support a cow and pigs, of such exorbitant amounts as to leave scarcely the bare necessities of

existence to the occupiers. The same competition exists in many parts of France in the purchase of small parcels of land to be cultivated by the proprietors, and which has raised the sale price of such parcels in that country from twenty years' purchase, the rate at which they stood before the revolution, to forty years' purchase, at which rate they are frequently sold at present; yielding perhaps only two and a half per cent. on the money, while the ordinary rate of interest there is certainly above five per cent. Such an elevation of the rent and sale price of land can only arise from the want of adequate employment for an increasing population in other branches of industry; it is rather artificial than natural; the result of a peculiar and cramped state of society, instead of the steady progress of a healthy and prosperous community. The cultivation of the soil was the earliest occupation of mankind, manufactures and the arts came afterwards; the population has been brought up and instructed in the practice of the former, and has not yet learned how to perform the latter. It is, however, but one step that is wanted to emerge from this confined state of industry, and launch into one affording endless occupation and abundance of wealth. This consists in the acquisition of a knowledge of the arts; a step perhaps difficult at first to be taken, but which afterwards would more than repay its cost.

The consideration of the effects of taxation, and of the parties on whom certain taxes ultimately fall, will be more conveniently entered upon in another place, and therefore will not be fully stated at present; some few remarks, however, upon this subject may not be inappropriate here.

Taxes on land, or which in any way increase the expense of cultivation, whether in the shape of land-tax, local rates, tithes, or indirect taxes, though paid in the first instance by the tenant, ultimately fall upon the landlord, in the shape of a diminution of his rent. To convince ourselves of this fact, we need but make a comparison between the rents of those lands which are either wholly exempt from either of these burthens, or are only pressed by them in a slight degree, and such as are heavily loaded with them. A tithe-free farm always has paid a rent as much more than another farm of equal goodness as the value of

the tithe upon that other. And so of farms on which the rates are light. Of such farms, the rents are higher than the rents on others, in the precise degree in which the rates are lighter. Even a tax on the farmer's income, or the profits of his capital, would be thrown upon the landlord, unless the profits of other occupations were equally taxed; for if the farmer could not throw off the burthen, he would withdraw his capital from the land, and embark it in some one of those employments which were exempted from the tax. But if a tax were imposed on the profits of capital in all occupations, this must be borne by the tenant; since no means of escape from its payment would be left; and the surplus profit of farming over those profits which other occupations, now universally taxed, would yield, would not be affected thereby. On the other hand, if to favour agriculture, the farmer's capital were exempted from tax, while every other species of capital were assessed, this would prove no encouragement to agriculture, or benefit to the farmer; it would augment the surplus profit, and the amount would go entirely to the landlord. Again, if the agricultural labourer were taxed in any way in which he could throw off the burthen from himself by obtaining higher wages, this would have the same results as an advance of wages proceeding from other causes, and which have been already noticed. No taxes upon land or cultivation, whether they be direct or indirect, can fall upon the consumer, unless they enhance the expense of the cultivation *of the poorest lands*, and so lessen the degree in which cultivation may be heightened and extended.

The tithe, after an existence of more than ten centuries, is at last, happily, commuted; and therefore does not now call for any lengthened remarks. During its continuance it arrested the progress of agriculture at an earlier stage than would have been the case had the cultivator been free from its payment; and thus lessened the extent both of the cultivation of the poor land, and of the improvement of the good. Lands of the worst quality, as well as of the best, paid tithes, and in proportion to the quantity of produce obtained from them. It is obvious that no land can be cultivated which does not yield a produce sufficient to support the labourers and remunerate the

capitalists in as full a measure as that in which they might be supported and remunerated by applying their labour and capital to other occupations which are open to them. Agriculture will always be pushed up to that limit, and there it will stop. But land which was subject to the payment of a tithe could not be cultivated, unless it did this, not with its whole produce, but with nine-tenths of it only. Thus cultivation ceased to be profitable, and was stopped at land which is one-tenth better than that to which in a natural state of things it might have been extended. The same took place, also, in the improvement of land. No additional capital could be profitably expended on the soil beyond that which, with nine-tenths of its return, only remunerated for the outlay; and consequently, the degree in which cultivation was heightened was one-tenth less than it might have been had the cultivator been allowed to possess the whole return of the heightened tillage.

From the fact that the progress of agriculture was arrested by the payment of a tithe of the produce, it is easy to perceive the effects which this payment has had on the different classes of society. It has prevented the advance of the landlord's rent to that point to which it would have risen, if land of one-tenth less fertility could have been profitably taken into cultivation. Thus the tithe-owner did not simply share with the landlord in the produce of the soil, but laid an incubus upon its improvement, and prevented his acquiring so high a rent as he would otherwise have done. It did this injury to him in his quality of landlord. But there was another mischief which he suffered in common with the labourer and capitalist in his character of consumer. When the domain of cultivation was contracted within narrower limits than it would of itself have reached, labour and capital were prevented from flowing in advantageous channels which might have been opened to them. They were, consequently, obliged to move in channels in which they were less productive. In this way, while a larger supply of manufactures or some other commodity, of which we had comparatively little need, was afforded, a smaller supply of agricultural produce was procured, of which we had greater need. This produce, accordingly, being scantily supplied, was dear to the consumer. But,

from the state of the agricultural labourer in this country, often without full employment for his time, and unable to follow any other occupation, we perhaps failed to acquire a larger supply of manufactures from this hinderance of the full flow of industry in its most advantageous channel ; and the scanty supply of agricultural produce was a loss to the country of the amount of produce so prevented from being raised. The tithe had this injurious effect, which applied to every consumer, but more especially to the agricultural labourer, since it applied to him in the double capacity of consumer and producer ; in this last capacity, depriving him of occupation which would otherwise have been afforded to him, while, in consequence of his being unskilled in any other occupation, he was unable to procure employment elsewhere ; it had this injurious effect, I say, from its nature, or the mode of its imposition ; being a portion of the whole produce raised, and increasing in amount with the increase of that produce. In calling for a tenth of the produce of the last expenditure of labour and capital by which cultivation was heightened and extended, it called for that which it was impossible to give ; the whole produce yielded from this expenditure being no more than a bare remuneration for the labour and capital bestowed, according to their average rates of wages and profits ; and, consequently, being incapable of bearing any imposition whatever, whether of rent or tax. Thus, from the existence of a demand where none was due, cultivation could not be carried to that high degree and extent to which it otherwise might have been extended with profit ; and, while it procured nothing to the tithe-owner, it prevented the people from gaining where an opportunity of gain presented itself.

In so far as the tithe did not contract the limits of extended or heightened cultivation, the tithe-owner simply shared with the landlord in the produce of the soil ; without ulterior consequences to other classes of the community. There are, however, few productions of the soil which it did not raise in price to the consumers. The rent of land has no such effect ; prices being determined by circumstances extrinsic of the rent ; which last is the *consequence and not the cause* of prices. But the tithe, as it arrested the progress of agriculture, raised the prices of

agricultural produce. It raised these prices in the measure of its amount on the poorest land in cultivation. The tithe formed part of the expenses of cultivating such land, and which must be paid, though the tenant was unable to pay a rent; and, consequently, in the increased prices of its produce, it formed a deduction to that amount from the wages of labour and the profits of capital expended on that produce. There are some species of cultivation which exhibited this effect in a striking manner. Of this kind were hops, flax, and vegetables of garden culture. The tithe of an acre of hops raised on land worth forty or fifty shillings an acre, was generally worth from three to four pounds. This was plainly not a deduction from the rent, because if the land had been tithe-free, it could never have been worth from five to six pounds per acre; for a man who should hire such land for the growth of hops would not pay more rent for it than another man who proposed to employ it in the common rotation of crops. Thus hops, which could not be cultivated without the payment, in addition to the rent, of from three to four pounds per acre for tithe, must have been dearer in consequence to the consumer, in that proportion. Corn is dear to the consumer, not because a rent is paid for the land on which it is raised; but because a sufficient quantity cannot be procured for the market without resorting in part to land of poor quality, on which a great expense is incurred in the cultivation. It is dear because there is not sufficient fertile land. But hops were dear, not because fertile land was scarce, or wholly because a great expense was incurred; but because a heavy tithe was demanded, and which could not be escaped from by resorting to poor soils. The tithe, in this case, had the same effect on price as the government duty.

The expense of raising and bringing to market the produce of land depends, in great measure, on the skill of the cultivator, as well as on his knowing how to husband his resources, and direct his labour and capital with the best effect.

This skill and knowledge may be displayed in a variety of ways. Amongst others, it may be shown in a saving in the amount of capital necessary to conduct agricultural industry, by employing it in a better method, or returning it quicker into the hands of



its employer ; so that a smaller capital shall be of equal effect with a larger one employed in a less skilful method. In this way, a saving in the interest of capital is effected. The use of the thrashing machine seems to be productive, not only of a saving of grain which would otherwise be left in the straw, but, in some degree, of a saving of capital. By the use of this machine, the grain is thrashed out so rapidly that the farmer is enabled to send his corn to market, and convert it into money, whenever he may require money for carrying on his business. Were it not in his power to do so, and should he be obliged to employ men for a long time to thrash out the corn by the tedious process of the flail, and wait until it were completed, deferring perhaps in the mean time important operations out of doors, he must employ more capital. The expense of the purchase of the machine itself may, however, be equal to the saving of capital ; but this will not be the case where the farmer does not own the machine, but hires it for the time of some other person, whose business it is to let out the same machine to many farmers. Skill may be displayed in saving labour, whether of men or horses, by the employment of more efficient implements and machines. But in whatever manner savings of expense are effected, they operate in two ways ; first, by the actual saving, of whatever kind it may be ; and, secondly, by lessening the capital required to pay those expenses ; consequently, effecting a proportionate reduction in the amount of profits which the common rate of profits at the time on the capital employed cause the farmer to demand.

If any improvement in husbandry could take place, the effect of which should consist merely of a saving in the expense of cultivation, without causing its further extension, or increasing the amount of produce to be raised, the consequence of such improvement would be to lower the price of produce in proportion to the amount of expense thus saved. Because the price of produce, as has been before observed, is determined eventually by the expense of raising it on the poorest land, and, by the supposition, no extension or heightening of cultivation following, the landlord would be unable to advance his rent or derive any other advantage from this saving, beyond that of

paying a lower price for provisions in his character of consumer, in common with everybody else.

. But the fact is, a saving in the expense of cultivation, effected through an advance in the science and practice of agriculture, does uniformly, by extending and heightening cultivation, increase the supply of produce, and occasion different results from those here supposed. A saving of expense is ultimately a saving of labour ; for all charges are resolvable into rent, profits, or wages. Even taxes, under a just administration of government, are really wages, or the remuneration for public services rendered. As then, on the present occasion, rent is left out of the question, the remaining charges are only wages, and the profits of that capital which is nothing but labour invested in a substantial form and accumulated, the profit of which is the hire of labour in such a form. If then a saving of expense is in reality only a saving of labour, there must, in the event of a saving of expense, be a quantity of labour set free from its previous occupation, and for which work must be found. It is available to extend and heighten cultivation, and if this be practicable with as much advantage to the unemployed labourers as other occupations would afford, some part of this unemployed labour will be directed to increase cultivation. Again, there are in almost every country some soils so barren as, under existing prices of produce and expenses of raising it, not to admit of cultivation, except with a lower return on the labour and capital employed upon them than could be acquired in other ways ; and these soils consequently remain waste. But let the expense of raising produce on such soils be reduced, and immediately some of them admit of cultivation, which were unsusceptible of it under more expensive circumstances, at the existing prices of produce. The unemployed labour, then, is furnished with land whereon it may find occupation ; and the quantity of produce becomes increased. But through this increase, and through the saving in the expense of raising it, its price cannot rise : it will remain as before ; and the landlord will be enabled to raise his rent in some degree ; not, however, to the full amount of the saving in the expense of cultivation, but to that degree in

which his land is superior to the new and poorer soils that now admit of advantageous cultivation.

Improvements in the practice of agriculture, and, indeed, in every other branch of industry, are so beneficial in their consequences, that it may not be a waste of time to consider their effects in another point of view, in order to the determination of the parties on whom their effects really fall. To this end, suppose a man to cultivate a piece of land with his own hands, and with his own capital, and that this land affords him full occupation. And let it be imagined that some discovery or invention has been made in husbandry, whereby a saving of expense, which is in reality a saving of labour, has been effected, equal to one week's labour in the year. If then this improvement enable the man in 51 weeks to do the work of 52, and cause him to have no work for the remaining week in the year, his labour may well be directed to cultivate an additional quantity of land. If he farmed 52 roods before, he may now farm 53. Nor is it likely that a loss can ensue thereby, although the additional land be of inferior quality, and even if he hire labourers instead of working himself; for there is unemployed time for which occupation must be found, and wages and profits will naturally so adjust themselves that no loss can possibly follow from employing idle men in cultivating a poor soil, instead of their doing nothing at all. But the question is, who are the parties that benefit from this improvement and saving of labour? In the exchange between the agriculturist and the manufacturer, of the corn of the one for the clothing of the other, no doubt the manufacturer must acquire an equal share in the benefit with the agriculturist; otherwise he would turn agriculturist himself. The exchange must be in the proportion of 52 weeks' labour in the production of corn to 52 weeks' labour in the manufacture of clothing; that is, the whole value of the augmented quantity of corn is precisely equal to the value of the smaller quantity raised before the adoption of the improvement. The benefit must be shared mutually between the husbandman and the clothier. If the clothier give half the produce of his labour in clothing for half the produce of the labour of the

husbandman in provisions, the other half of each man's labour being retained for his own use, while the quantity of clothing to each remains as before, the quantity of provisions to each is greater, nearly in the proportion of 51 to 52 ; or they are both richer by the produce of not quite half a week's work in the year. Some share of benefit must accrue to the landlord from his being enabled to demand an increase of rent, in consequence of its having become possible to cultivate poorer soils without disadvantage ; or, in other words, to procure larger profits than before in cultivating other soils. What this advance of rent will be must depend entirely on the degree of inferiority of the land which thus admits of cultivation.

Thus improvements in agriculture, and a higher efficiency of industry, from whatever source they arise, are in their effects equivalent to a lowering in the cost of production, or to an increased fertility in the soil ; and although they thus render less land necessary to furnish the same supply, they do not, as might be expected, lower rents ; they act rather in increasing both the supply and the demand, and causing not merely as much but even more land to be cultivated than before ; from which an advance of rents, instead of a fall, results. A reduction in the cost of production in so large a department of industry as that of agriculture, whose products are of universal consumption, must promote in a high degree the general opulence of the people at large ; but it acts more especially to the advantage of the working classes, because the expense of food forms a much larger proportion of the whole expenditure of the latter,\* than of the higher and more opulent classes. When the poor thus become more amply fed, and with food of better kinds, their bodily and mental vigour is promoted, and they are enabled to acquire that skill in industry which is so essential, not only to their own welfare, but to that of the community at large.

We have seen that the price of agricultural produce is determined by the expense of raising that portion of the whole which

\* According to Sir Frederick Eden, the expense of food to the labouring classes amounts to three-fourths of their whole expenditure. To those of middle rank it may be about half ; and to those of higher rank much less.

costs the most. Corn cannot be permanently at a high price, unless a great expense is necessary to raise this portion. We have seen, likewise, that rents uniformly advance as cultivation is pushed over inferior soils, and the labour and expense of raising produce on such soils has become greater. But it ought not to be concluded that everything which adds to the expense of raising produce, and consequently to its price, must inevitably raise rents, or that there is no other method of raising rents but by increasing the expense of cultivation. The cost of production may be increased in two ways, and by causes of an opposite character; the one of which will advance rents, and the other lower them. Augmented opulence and population cause an enlarged demand for produce and for the cultivation of inferior soils, and thus in the natural course of prosperous nations occasion rents to rise. But, on the other hand, there are causes of increased cost of production which, instead of enlarging demand, must contract it, and which instead of extending cultivation and advancing rents, must even check cultivation and lower rents. The cost of production may be increased by higher profits, higher agricultural wages, bad husbandry, the disuse of useful machines, taxation, and many other circumstances. In each of these ways, although this cost is raised, the surplus profit of agriculture over other occupations which goes for rent is not increased. It is not possible, therefore, to agree with Mr. Ricardo in saying, that it is the interest of the landlord that the cost attending the production of corn should be increased, and that his interest is always opposed to that of the consumer and manufacturer;\* in other words, to every class but his own. So far is this from being the case, that "it may be safely asserted," in the words of Mr. Malthus, "that the interest of no other class in the state is so nearly and necessarily connected with its wealth and power, as the interest of the landlord."

As the rent of land is that part of the profit of cultivating it which exceeds the profit that could be acquired by employing the same capital in other occupations, the amount of rent depends, not only on the fertility of the land, but on its distance from the market, or the expense that must be incurred in turn-

\* Principles of Polit. Econ. p. 399. 3rd edit.

ing the produce into money. The profit of occupying a farm is affected by every expense incidental to the occupation, both as regards the growth and the sale of its produce. If the contract between the landlord and tenant had been the payment, not of a *money* rent, but of a *corn or produce* rent payable on the spot, the fertility of the land would have been the criterion by which the rent would have been determined. In such case, the distance from the market would have had little effect, and a farm in the neighbourhood of a town, would pay the same corn-rent as a similar farm situated at a distance from it. But it is quite otherwise, if the rent is to be paid in money. In such case, the rent of the land which is distant from the market must be as much lower than the other as the greater expense required to turn its produce into money. Land in the neighbourhood of a town always gives a higher money rent than land equally good in a distant part of the country. Though it may require no more labour to cultivate the one than the other, it must always cost more to bring the produce of the distant land to market. A greater number of labourers, therefore, must be maintained out of the produce; and the surplus, from which are drawn both the profit of the farmer and the rent of the landlord, must be diminished. But in remote parts of the country, the rate of profit is usually higher than in the neighbourhood of a large town. A smaller proportion, therefore, of this diminished surplus must belong to the landlord.

Good roads, canals, and navigable rivers, by diminishing the expense of carriage, bring the remote parts of the country nearer to a level with those in the neighbourhood of the town. They are upon that account the greatest of all improvements. They encourage the cultivation of the remote, which must always be the most extensive circle of the country. They are advantageous to the town by breaking down the monopoly of the country in its neighbourhood. They are advantageous even to that part of the country. Though they introduce some rival commodities into the old market, they open a larger market to its productions; and, by the greater concentration of population, yield to the country in return many new productions which

could not otherwise be had, and many old ones of a higher degree of excellence, abundance, and cheapness.

The great advances which have been made within comparatively few years in almost every branch of knowledge have, in many instances, thrown new lights upon the science of agriculture; but these have not yet been all applied in their full extent to practice. These advances, so far from being ended, appear rather to be going on with a still more rapid progression; the discoveries already made seeming to serve as helps to others still more important; and hence we anticipate that it will not be many years before the practice of husbandry shall become improved to an extent which it is at present difficult to appreciate. It is to the combined influence of progressive advances in science, and fresh accumulations of capital, by which the efficiency of labour may be heightened, and the land made to yield in greater productiveness, that we must look to relieve us from that poverty which would otherwise be the inevitable lot of humanity from the constant necessity, as population advances, of continually resorting to fresh lands of an inferior natural fertility. The utmost limit which shall bound the knowledge we may be able to acquire exceeds the power of human prescience to determine. Capital, too, may be increased to an extent which cannot be defined, and the advantage of its monopoly perhaps hereafter be greatly reduced; and though we cannot add to the number of acres in a country, we may yet increase their fruitfulness. Thus, whilst we may be enabled to acquire a larger produce, the advance of rents may be retarded; they may possibly be prevented from rising to the degree that might be expected, and the sacrifice necessary to procure the supply be no greater than at present. The monopoly of land, however, is of that nature that we must allow the landlord to participate in the advantages we acquire, and our expectations of bettering the condition of the people must be derived rather from increasing the produce by greater skill and capital in husbandry than from lessening the deduction for rent.

The observations which have hitherto been made have proceeded on the supposition that the direction of industry to agri-

culture is that which, in a state of freedom, results from the natural circumstances which cause a demand for its produce, and without external interference inducing an artificial demand, and a higher state of cultivation, than natural circumstances would occasion. But, in our own country, and in some measure in France also, a forced direction of industry to agriculture is induced, through the imposition of duties on foreign grain imported.

Hence the inquiry presents itself, whether it be consistent with the public interest, or with that of the agricultural classes, to restrict the supply of the people of Britain to the produce which can be raised upon their own soil. The magnitude of the consequences, as regards the opulence and happiness of our country, which hang upon the decision in the affirmative or negative of this question, and upon the consequent line of policy respecting it, which may be acted upon by the legislature, invest the inquiry with an importance greater than is usually conceived to belong to it.

Whatever may be the case as regards the agricultural classes, it is impossible that such a forced direction of industry to agriculture can be consistent with the interest of the other classes. If such were the case, this would then be an exception to the universal maxims, that industry exerts itself with the best effect when least under restraint; and that it is better to buy in a cheap market, though a foreign, than in a dear one at home. But it is unquestionable, that this forced direction of industry diminishes its productiveness, or the quantity of products it acquires, by wasting its efforts in the cultivation of barren soils, and forcing it to an unnatural height on other soils. In agriculture we labour under disadvantages, in comparison with some other countries, from the want of a sufficient quantity of fertile land; but there are other businesses in which we possess a superiority over them. The poor soils whose cultivation is induced, yield a smaller quantity of grain than might be procured from foreign countries, in exchange for the produce which the labour and capital employed upon them would yield in other occupations. But while our supply of grain is scantied, its price enhanced, and the public impoverishment indisputable, it is not possible that the pro-



fits of cultivation can be eventually heightened thereby, or gain in other ways be acquired by the agricultural classes.

Admitting, however, for a moment that these classes could gain thereby, still it might be asked, whether it is consistent with a proper feeling towards their fellow-countrymen, for them to obtain laws to enrich themselves through the impoverishment of their country. But which of the parties is it that gains by thus heightening the profits of cultivation?

That it is not the farmer is abundantly evident. The high price of produce can never be beneficial to him in the end, for the landlord, on the renewal of his lease, will be sure to demand as rent, whatever *surplus profit* that high price may afford above the profits of other occupations.

That it is not the agricultural labourer seems equally clear. The corn laws have evidently not ameliorated his condition. Since they were first enacted, his circumstances, instead of having improved, have become worse, until it seems scarcely possible that they can fall lower. If the people of our country are to be supported only on the produce which can be raised from its soil, their number must necessarily be limited to what that soil can support. Population then must be forcibly prevented from exceeding this point; because, in such case, famine or emigration would be the only alternatives that would remain. When it becomes difficult to acquire the means of subsistence, the poor are the first to feel, and the most severely to suffer from it. But the agricultural labourer cannot escape that distress in which the poor of every class must be involved, when the supply of food is scantied.

If, then, it is neither the farmer nor the agricultural labourer who benefit by these laws, the whole advantage, such as it is, must accrue to the landlord. This advantage, however, is more than problematical. In the first instance, it is true, he may acquire an advance of rent through the high price of produce and the extraordinary profits of farming. But this is a first effect only. The ultimate and permanent effect must be to keep down population, through the curtailment of the funds for its support, and by checking public prosperity and the growth of opulence, to prevent that natural and progressive advance of rents which,

under other circumstances, would be sure eventually to take place. If the position be true, that the interest of the landlord is intimately bound up with the interest of the people, it is only a momentary advantage which he can gain from the depression of his country ; and these duties, although they may be beneficial to him at present, will prove ultimately not less to his prejudice than to that of the public at large. But the production of food is an object of such paramount importance, that it can be only the most pressing circumstances which can ever justify an artificial restraint, either on its growth at home, or its supply from abroad.

Independently of legislative enactments, agriculturists, in the nature of things, are more protected from foreign competition than almost any other class, in consequence of the more bulky nature of raw produce than of wrought goods.

The vicinity of a great town is always eminently beneficial to the interests of the landholders. While foreign grain is refused us, our population cannot permanently exceed the means of support the land affords. But if we were allowed to draw supplies from all the world, our whole island might become, as it were, one great city. In an extended and comprehensive point of view, therefore, the corn laws are detrimental to the interests of the landholders themselves. Instead of a fall of rents resulting from a free trade in corn, a rise is eventually to be anticipated. The case of the landowners and farmers of the country at large is precisely analogous to that of the landowners and farmers in the vicinity of the metropolis, who, in the middle of the last century, petitioned parliament to stop the extension of turnpike roads into the distant counties, on the ground that they were unable, in consequence of their higher wages and charges of production, to stand the competition with the low wages and charges of those distant counties ; and that, if such competition were permitted, the inevitable result would be, that the cultivation of their land could not be carried on, that it must lie waste, and their labourers be deprived of employment. We know, however, that, notwithstanding such melancholy forebodings, these turnpike roads, by increasing the means of support to the people of the metropolis, have contributed to the present magnitude of its population, whence the most beneficial results have

followed to the landed interest in its neighbourhood. The landholders, so far from being ruined, have found their estates continually increasing in value, which, instead of lying waste, have become improved and cultivated in a higher degree than any other part of the country. We ought to recollect, too, that those restraints which prevent the importation of the products in one kind of the land and labour of other countries, prevent likewise the exportation to pay for them of the products in another kind of the land and labour of our own country; and that, in depriving foreigners of the liberty of selling their corn in our market, we deprive ourselves of the power of selling our manufactures in their market. Now the freedom to the country at large of importing corn from foreign countries, would be but an extension of the freedom of the supply of London with the agricultural produce of our distant counties: the principle is the same in both cases. If, then, the agricultural interest in the neighbourhood of London has been enriched, rather than ruined, from this freedom in the one case, it seems reasonable to expect that correspondingly beneficial consequences must ensue to the landed interest of the country at large, from the still more extensive freedom in the other case. If this interest be unfairly pressed with public burthens, these ought to be equalized, but the imposition of one impediment in the supply of food for a hungry community, cannot be a reason for adding another.

While the productiveness of national industry is thus diminished, by forcing prematurely the cultivation of ungrateful soils, and no advantage accrues to either of the parties engaged in their cultivation, there are, on the other hand, no countervailing circumstances attending the restrictive system which may produce a commensurate benefit in any other way. It has been thought that, by inducing an extended cultivation of our soil, employment is afforded to the labouring poor. But an examination of the causes on which their employment depends, and which have been already spoken of, will show that this supposition is altogether groundless, and that no additional employment is thereby occasioned more than would exist in a state of perfect freedom. In the same proportion as work is found

for one additional labourer in an unnatural extension of cultivation, by so much is another labourer deprived of the work which would otherwise be offered him, in producing some commodity for exportation to pay for the foreign corn which would be imported; while each by this means is obliged to purchase his supply of food with a greater sacrifice of his labour than would otherwise be necessary.

An unlimited freedom of the trade in corn would remove at once the cause of those jealousies which now exist between the agricultural and the other classes of the community, especially those engaged in the fabrication of articles of export, the market for which is contracted upon a scale corresponding with the effect of the restraints in keeping out foreign grain. In the opinion of all classes of workmen, cheap food is a matter of the deepest concern; but these last possess, besides, another and a deeper interest in the abolition of the existing restraints,—an interest which cannot long be set at nought.

It is thought by many, that until nations shall be more alive to the community of their interests—until commercial jealousies shall have disappeared, and the chances of war shall be materially lessened, it will be prudent to continue to afford some encouragement to domestic agriculture, with a view to supply us with the primary articles of subsistence from our own soil, by imposing duties on the importation of those of foreign growth. This is a question, not of political economy, but of state policy, and therefore will not be entered upon here. Taking for granted, however, the urgency of such policy, it is still open to discuss the *mode* in which the required protection should be afforded. The present varying scale of duties has not prevented the importation of foreign corn, but has permitted a quantity to be brought in, equal to one-twelfth of the entire consumption of England, at rates of duty on wheat varying from one shilling to twenty-eight shillings per quarter; the average being six shillings and eightpence. But the varying scale has caused a great inequality in the quantities imported from time to time, being in excessively large quantities at one time, and afterwards wholly stopped during very long intervals: thus at one time causing a ruinous depression of price, and at another allowing the price to

rise greatly above the average of other years. Now a steady supply, and a degree of uniformity in the price of this most necessary article, are objects of the highest public importance. And if protection to the present extent were required, it might be given without these inconveniences, by a fixed, or nearly equal, duty operating to prevent the importation of more than the quantity now brought in. Such duty would afford a more uniform supply, it would contribute to a greater steadiness in the price of grain; at the same time that it would afford a more equal demand and employment in those branches of industry whose products are exported in payment for foreign corn, while it would also supply the means of avoiding the great fluctuations which now from time to time take place in the bullion market by the sudden and large demand for gold to help to make such payment.

On the other hand, if freedom be the point at which we aim, this should be gradually approached. Capital has been invested in the cultivation of inferior soils through the higher prices caused by the protective system, and it would be unjust to individual interests, as well as injurious to the general interest, suddenly to withdraw this protection; and thus cause these soils to be at once wholly thrown out of tillage. Time should be given for prudential preparations to those whose interests would be affected.

Bounties on the exportation of corn, though long in use in this country, have now for many years been discontinued. Their effect, the same as duties on importation, was in a measure to force cultivation to an unnatural extent, and by thus diverting national industry from its most advantageous occupations, to diminish its productiveness. But while greatly injuring the community at large, and ultimately the landowner also, their immediate effect was to benefit him by raising rent. Bounties, however, had this evil, beyond duties on importation, that, instead of contributing to the public revenue, they necessarily burthened the country with heavier taxes than were required, in order to supply foreigners with corn at prices below the cost of raising it.

What has been hitherto said on rent has had reference to that

state of society which subsists in our own and in a few other countries, where the husbandman, instead of being chained to the soil, is free to change his occupation at pleasure, and to remove his capital and labour to any other employment which holds out the prospect of superior advantages. In this state, the land is the property of a great number of private individuals, whose competition with one another, in conjunction commonly with the practicability of breaking up poor uncultivated land, and with the freedom of industry, determine the rent which must be paid for the occupation of land upon principles and from causes founded on the nature of things. From the consideration of rent in this state—the state with which we are immediately conversant, we pass to offer some remarks on that less fortunate condition, in which the cultivators of the soil have most usually been found in the history of other times, and in which they still exist throughout the largest portion of the globe; that is, without the freedom of industry which we possess.

When the prince, as amongst eastern nations, is the sole proprietor of the soil, this proprietorship involves a strict monopoly of almost every article of primary necessity, and enables him to exact, in the shape of rent or tax upon the land, so large a portion of the produce as to leave nothing more to the cultivator than a bare subsistence. This is the case also in those countries where the prince is not the sole proprietor, but where the land is parcelled out amongst a powerful nobility, and with it the ownership of the peasantry by which it is cultivated, with a more or less absolute sway over them. A slave is dependent for everything on his master; and a peasantry partly enslaved must be dependent on the lord in the measure in which their freedom of exertion is wanting, either through actual restraint from their owners, or through their own incompetency to raise themselves from the poor and helpless condition in which they are placed to one more free and fortunate.

In countries where the peasantry are not restrained from abandoning husbandry, the capital and labour employed upon the land are yet, generally speaking, unsusceptible of removal from it, though more lucrative occupations for them might be found elsewhere. The cultivators of the soil in the greater part

of the world possess so little capital of their own, and this unsuited to be employed in any other business, that they have not the power to remove. In eastern countries, where the institution of caste exists, this may raise an impediment. But in these countries, if the peasantry had both the freedom and the power to quit the occupation of husbandry, they could not benefit themselves thereby. When the cultivation of the land is carried on under a strict monopoly, the price of produce must be a monopoly price; and when the landowner exacts from the cultivator all beyond the necessities of existence, this exaction must extend itself from the cultivator to every other class, by means of the monopoly price of produce. There seem to be no other limits than those of human endurance to the oppression which might be practised through the possession of a complete monopoly of the supply of articles indispensable to human existence. While such endurance should permit, the price of the necessities of subsistence furnished under such a monopoly might be raised to so great a height as to deprive a whole nation of everything it possessed; since no other alternative would be left than their relinquishment or famine. That the oppression of the husbandman must extend itself to every other class will be apparent, if we consider the circumstances in which all would be placed. Allow that there were no caste, and that the cultivator had the power of transferring his capital and labour from the land to any other employment, and we shall see that such an exaction of rent as should reduce him to subsist on bare necessities would reduce all his neighbours to the same condition. In the exchange between the cultivator and the manufacturer, for example, of food for clothing or other necessities, the cultivator, notwithstanding the smallness of what he has to give, would be able to procure so large a quantity of the produce of the manufacturer's work as would reduce him likewise to the same level of poverty with himself; for, if the manufacturer should refuse to exchange on such terms, the cultivator would abandon agriculture and become manufacturer. No man can dispense with food, and, in order to procure it, he must either consent to the demands of the cultivator, or till the ground himself, and thus at once be reduced to the same con-

dition. That such is the actual state of things, and that the oppression of the cultivators of the soil extends itself to the people at large of those countries, seems to be substantiated by the fact that, contrary to what subsists in Europe, agricultural labour there is equally remunerated with manufacturing and other kinds of labour. If it had been otherwise, the condition of the manufacturing classes would have been found to be superior to that of the agricultural.

While thus a whole nation might be impoverished and depopulated by the exactions which a strict monopoly of land gives the power of enforcing, and from which the people cannot escape, it would, however, be far from fact to suppose that the sovereign can acquire by such means all the riches which he prevents his subjects obtaining. It might be thought that the transfer from the cultivator to the prince of an unreasonably large portion of the produce of the soil, would be merely giving to the latter a larger power of affording encouragement to manufacturing and other branches of industry equal to that of which the farmer is deprived. But such a premature exaction of rent, which goes before the means of payment, and swallows up the sources of reproduction, must put a stop to that natural advance of rent which, under more favourable circumstances, would inevitably take place, through the growing means and demands of the people, proceeding from augmented numbers and opulence.

“There is reason to believe that in parts of India, and many other eastern countries, and probably even in China, the taxation on the land, founded upon the sovereign’s right to the soil, together with other customary payments out of the raw produce, have forcibly lowered the wages of labour on the land, and have thrown great obstacles in the way of progressive cultivation and population in latter times, while much good land has remained waste. This will always be the case, when, owing to an unnecessary monopoly, a greater portion of the surplus produce is taken in the shape of rent or taxes, than would be procured in the natural course of things.”\*

It is evident, from the circumstances of those countries, that an accumulation of capital from at least one great branch of

\* Malthus, Polit. Econ. p. 156.



industry—agriculture, is precluded. There are no landlords from whose incomes savings might be made, other than the great landlord, the prince himself. But his income is usually spent and dissipated in the maintenance of a splendid court and retinue, with his military and civil establishments; or, when not wholly dissipated and savings are made, they are not employed productively, but are a mere treasure hoarded up, of which the dissipation is only postponed. Instead of being laid out in the nature of fixed capital in substantial and permanent improvements upon the land, to augment and ameliorate its annual produce, this hoard lies inactive, altogether useless, and to be employed only on the most pressing emergencies. Industry derives no assistance from accumulations so disposed of. A class of large and wealthy farmers, from whose profits savings might be made, is unknown. The cultivator usually has but a precarious tenure. Independently of the exactions of an arbitrary government always drawing from him the very largest sum he is able to pay, and which, by keeping him poor, prevents his rising above the dependent condition of a labourer, he has little interest either in the investment of capital in permanent improvements on the land, or in employing much in its cultivation. His rent, instead of being an invariable sum or quantity of produce, is a *proportion* of the produce raised, increasing with every outlay by which the productiveness of the land is heightened. Hence, as a larger expenditure in order to augment that produce would only increase the taxation to which he is subject, and perhaps in as high a degree as the additional net produce raised, the tenant employs the smallest possible amount of capital; and as the landlord does nothing in the way of permanent improvement of the land, the produce of agricultural industry is at its lowest ebb in relation to the natural fertility of the soil; the advantages of which are more than compensated by the want of that security of property which is indispensable to a full production, and the want of the employment of that capital without which labour can never be effective. From the cultivator, then, accumulations of capital are out of question; much more, if they should be made, is it unreasonable to suppose that they should be employed upon the land. Thus, while the sources of the pro-

ductiveness of agricultural industry are dried up, it is no wonder that the people of these countries should be miserably deficient in food, and subject to the most dreadful famines. But it has been shown already, that the cause of the poverty of the cultivator is such that it cannot fail to extend its effects through him to all other classes; and, accordingly, in this cause is to be found a main source of the general poverty and inefficiency of the labour of the people of these countries, and the reason why, in the general market of the world, the produce of one day's labour of an Englishman purchases as much as the produce of five or six days' labour of an East Indian.

The rent of mines, quarries, and fisheries is in some respect distinguished from that of land. The rent, in the case of land, is for its productive agency in creating new products, while in the other instances it is merely for the privilege of carrying off, not new products, but old ones already there. There is, however, here no difference in the principles which determine rent. Mines, like land, are of various degrees of productiveness, and require various degrees of expense in working them, according to their depth, the accumulation of water, the distance of the market, the condition of the roads and means of conveyance in the neighbourhood, and other contingencies. As the scanty supply of the productive powers of the soil is the occasion of the greater part of its products selling above their actual cost, and thus yielding a larger gross profit on cultivation than is usually acquired in other occupations, out of which a rent is demanded by the landlord; so, likewise, as regards the mineral productions which the earth affords, and which are not renewed from year to year, it is their scarceness, and the extraordinary profits accruing from extracting them from the mines, that is the occasion of a rent being acquired by their proprietors for granting the privilege of working them. The extra profit which may go for rent is dependent on the existing market price of the metal, and the expense of extracting, purifying, and conveying it to market. The owners of minerals are desirous of getting as much as they can for them, and the purchasers are anxious to procure them on as low terms as possible. If any one owner is resolved to sell a larger quantity than usual, he can

only do so by offering it at a lower price than other persons ; and if the rest of the owners are determined to continue selling, they must submit to take the reduced price which this man takes. If the supply were inexhaustible, the price must be either no more than the expense of working, or next to nothing beyond it ; for if it were more than this, any one of the owners being able to supply all the purchasers, would supplant the others by underselling them, and engross the whole advantage to himself. In order to monopolize the sale of the article, he must sell at the lowest rate which yields any advantage. But if the supply be less than the demand, competition to this extent is impossible ; for when the stocks of those owners who undersell shall be exhausted, the others will be able to raise their terms, and, therefore, nothing more is necessary than to wait, in order to procure their own prices ; and these prices will be in proportion to the scantiness of the supply compared with the demand. Demand, however, is always dependent as well on the inclination as the ability of the purchasers. The price which the seller can obtain is what the buyer is willing to give, and this depends, not only on the question whether the article can be procured cheaper elsewhere, but whether he can, and is willing to, dispense with it rather than pay the price demanded. If a complete monopoly of an article be possessed, the owners may raise its price, till the people discontinue its use, or use it so sparingly that the owners lose more by the contraction of sales than they gain by the enhancement of price. However, the cases are rare in which a complete monopoly of an article is possessed. This is said to be nearly the case in black lead ; but in no other mineral ; and the rent of mines, consequently, is determined on the common principles which apply to other cases.

Take the case of coal, for example. There are some mines in which the coal extracted does no more than repay the labour with the customary rate of profit on the capital expended and employed ; consequently, no rent can be paid for such mines. But whatever may be the profit acquired beyond this, naturally goes to the owner for rent. And this rent applies to all instances, whatever may be the productiveness of the mines, or the kind

of mineral. As, however, there is no monopoly of coal, if the mines which are worked be, at any time, insufficient to supply the quantity wanted for the market, the price rises until the owners of other beds of coal, which are less productive or more expensive to work, find they can obtain the usual profit by working them. In such case they are opened, an adequate supply is procured for a time, and the price is prevented from rising further. Again, if, in process of time, these beds become exhausted, while a continued supply of coal is still required, and there remain no other beds of equal fertility and facility of working, the price will again advance, until it afford the means of working other beds of less productiveness or which are more expensive to work. It appears, then, that the less productive beds prevent the price from rising above the expense of working them, while the insufficient supply from more productive beds prevents, likewise, the price from falling below it; and thus the price, although it cannot be said to be *regulated* by the expense of working the least fertile beds, is always commensurate with it.

I proceed to observe in what way rent enters into the price, or forms a component part of the price of commodities.

Rent enters into the composition of the price of commodities very differently from wages and profits. It is true, in the production of almost every commodity a payment has been made to the owner of the soil on which it was grown or reared, or of the place whence the raw materials from which it was fabricated were originally procured. But this payment has no effect on price; for it is not the *cause* but the *effect* of the price for which the article will sell. High or low wages and profit are the causes of high or low price. It is because high or low wages and profit must be paid, in order to bring a particular commodity to market, that its price is high or low. The demand of price is never less in the long run than what a man can afford to take; for if this cannot be procured, but a lower price must be for ever submitted to, he will turn his industry to something else, and the article will cease to be offered in the market: it is indispensable to the supply of the market that a certain price on the average be procured. On the other hand, if more than this be

obtained for any continuance, other adventurers will step in to share in its advantage, until the price fall to the common level of other things. But, as regards the monopoly of land, the case is quite different. It is because the price for which the article freely sells is high or low, much more, or little more, or no more, than is sufficient to pay the customary wages and profit, that it affords a high rent, or a low rent, or no rent at all.

There are exceptions, however, to this general rule, and cases exist in which rent forms a component part of the price of commodities, enhancing their value in the market. Everything that is furnished under a monopoly, must be higher in price according as the greater or less degree of strictness of that monopoly may enable the proprietors to enhance their demands. The metals, stone of different kinds, and other mineral productions, are in some instances furnished under some degree of monopoly, and, consequently, bear a higher price than the actual labour and expense which it costs to procure them in the least productive mines or quarries. This additional price depends very much upon the number of proprietors, and the magnitude of the supply they are able to afford in relation to the demand for the article. When the number of proprietors is considerable, and the means of furnishing a supply ample, their power of combining to keep up the price is very small.

From what has just been said it follows, that the rent of land, when not determined by the strict monopoly of it which the government in some countries possesses, as it is not the cause of the high prices of its produce, but the consequence of the excess of prices over the cost of production, arising from the nature of agriculture, which affords in most instances larger profits than other occupations, and further, as it is wholly inoperative on prices, having no tendency to raise them, cannot in any way act injuriously on the interests of the people, or abridge their comforts. It would doubtless be advantageous to them if fertile land were more abundant, and its rent were thus become lower; but rent is a necessary consequence of the degree of scarcity in which it exists, and is a matter in which they have no interest. The landowner who cultivates his own estate, though he has no rent to pay, will not be satisfied with a lower price for his corn

than his neighbour the farmer, who rents his farm at perhaps an extravagant rent. Again, if the landed proprietors did not cultivate their own estates, but let them to tenants at very low rents, or even at no rents at all, the price of produce would still be the same; the tenants would become rich, but the people would be none the better. To convince ourselves that the price of produce would be the same if land were cultivated by no other persons than its proprietors, or were rent free, it is only necessary to reflect, that the same demand, in such case, would exist for produce; that, in order to meet this demand, the same quantity must be raised; the same land, therefore, must be cultivated. This produce would then be in part grown, as at present, on land of inferior quality, and at a great cost. Now, the occupiers of this inferior land must be paid the same price for their produce as they previously received, in order to reimburse them for the greater expense of cultivating such land: to these men the exemption from rent is no advantage, for they pay none at present. The high price demanded for produce by the occupiers of the poor land must enable the occupiers of the better land to require the same price for their produce, though raised at a much less expense: indeed, if they did not, no one would buy of the occupiers of the bad land; and a sufficient supply of produce would not be brought to market. Thus the existence of a power of paying certain rents is indispensable to the supply of a certain quantity of produce. The entire absence of the payment of rent, as it would not lessen the expense of growing produce on the poorest land, would neither increase the supply nor lessen the demand, by which prices are determined; and, therefore, would not lower the price. Its only effect would be to enable the cultivators of the better land to acquire larger profits, and put the whole amount of rent into their own pockets. In consequence of the unequal fertility of the land which must be cultivated to yield the required supply of produce, larger profits must accrue on some lands than on others; and it is matter of perfect indifference to the people, whether a certain class of farmers shall get extraordinary profits, or whether a second set of men, namely, the landlords, shall step in to take the extra profits, and so reduce the net profits of cultivating

every kind of land to one common level. There is, therefore, nothing in rent which is at all hard or unreasonable towards the poor.

It is of importance to the public interests that it should be well understood, that both rents and the prices of agricultural produce are determined, not at the will and pleasure of landlords, but by circumstances which are wholly beyond their influence or control. The not perceiving these facts, and much more the misapprehensions through which the opposite conclusions are reached, are of incalculable mischief to society, and especially to the working classes. Such misapprehensions provoke a thousand undeserved antipathies, and are the fruitful source of those many heart-burnings and jealousies by which society is so grievously tormented. "The truth is," says Dr. Chalmers, "that the landlords are altogether innocent of the rent, which has flowed in upon them *ab extra*, not at their own bidding, but at the bidding of those who complain of its oppressiveness. The employer of labour would have had his workmen at a higher wage; but another stepped forward and implored to be taken in at a lower wage, who, if refused, would have been in fact the more aggrieved sufferer, or at least the more helpless outcast, of the two. The owner of the land would have let his farm at a lower rent; but, in the importunity of capitalists, higher rents were offered; and he, by refusing these, would in fact have disappointed the most eager amongst the competitors. The landlord is passive under this operation. He is the subject, and not the agent in it. The primary and the moving forces lie with the labourers on the one hand, and with the capitalists on the other; the former, through the medium of an increased population, having brought on a lower wage than otherwise, by a necessity as irreversible as any law of nature; and the latter, through the medium of an increased capital, having by the same necessity brought on a lower profit than otherwise. The difference goes to rent. The complainers of it are themselves the makers of it."\*

It has been thought that the property of the soil of yielding a surplus in the form of rent exhibits a wise and beneficent

\* Polit. Econ. in Connexion, &c. p. 462.

arrangement of Providence, favourable to mankind, affording the means of procuring leisure and exemption from personal labour, offering the great prize for laudable exertion, and thus affording a boon most important to the welfare and happiness of mankind. But without questioning the wisdom and benevolent design of any arrangement of Providence, even that of imposing the task of perpetual labour on our race, taking into account all the consequences, present and remote, it may nevertheless be remarked that the opinion in question is only holding, in other words, that the necessity of toil to mankind at large is a blessing ; and that leisure and exemption from labour, though favourable when confined to the few and particular parties who now possess the soil, would yet be injurious if all men were placed in equally fortunate circumstances. In the case alluded to, it may likewise be observed, that the high price of produce which affords rent, and exalts one man, is paid by others, and is as correspondingly disadvantageous to the latter, as it is advantageous to the former. It would be an unwarrantable departure, therefore, from just principles of government, to found measures of state policy for raising rents on the ground of the supposed benefit they confer on society.

Another remark may likewise be made as a consequence of what has been previously advanced. It is, that agriculture ought not to be accounted as presenting superior advantages over other branches of useful industry, from the surplus profit which it yields, in the form of rent. The circumstance of rent being paid for land, or of a country possessing a large landed rental, and a wealthy landed aristocracy, although it is the usual accompaniment of great opulence and of a dense population, cannot be a cause of wealth, or add to the wealth or opulence of that country ; much less to the comforts of the people. For when land is most abundant and most fertile, consequently the prices of provisions at the lowest, it yields little or no rent at all. The opulence of a community must depend, more than upon anything else, on the quantity of produce at the command of each consumer ; not on its price. It has sometimes happened that water in a time of drought, or in a besieged place, has borne a high price. Under such circumstances, the owner of a spring



of water might demand a rent for it, and soon become rich ; but no one imagines that this could be an indication of public opulence, or of comfort in the people at large. The same observations apply, in a measure, to the rent of land: the rent which is received by one individual or class of society, is paid by the other individuals or classes, without either augmenting or diminishing the whole amount of objects of wealth between them. If it be an advantage on one side, it is a corresponding disadvantage on the other. If it be wealth in the possession of the landlord, it imposes a degree of privation on the people, and is a sort of abstraction from their wealth. As rent arises not from the abundance of land, but from the scarcity of what is of good quality, and increases in amount in proportion to such scarcity, high rents indicate an inadequate quantity of fertile land in relation to the produce required to be raised from it to support the population. A large demand for agricultural produce, and its consequence, high rents, may arise either from a poor but dense population with feeble powers of industry, or they may equally proceed from a moderate population with ample resources of skill and capital. But as the effects produced on rent are precisely similar in both these cases, a large landed rental is therefore no certain criterion of public prosperity, but may equally show a dense population accompanied with poverty in the people at large, and a difficulty in providing food for its support. Corn and rents, however, are generally the highest in the richest countries, in spite of the superior powers of industry which the latter possess, and hence these high prices, though not a certain proof, are nevertheless a strong presumption, of public opulence ; and it has been justly remarked, that to complain of them is to complain of one of the most certain proofs of the prosperous condition of a country. So far as increased rents are the result of improvements, and the investment of fixed capital on the land, brought about by the accumulation of capital, and the application of greater skill to husbandry, and without a diminution of wages and profits, they are not only themselves a clear addition to the wealth and resources of a country, giving the means of extending and heightening cultivation, but necessarily indicate a yet greater addition in the hands

of the productive classes, out of which they are enabled to pay this increase of rent.

It is sometimes said, that rents are not exorbitant, as they return to the owner but a low rate of interest on the purchase money. But whether rents are high or low, this is no proof of their being low. It shows a certain relationship subsisting between what is commonly given for the purchase of land and what is commonly paid for renting it. It shows that land sells high in proportion to what it lets for. The farmer would not be enabled to pay a high rent for the land, because the landlord has paid a high price for his estate; but the reasonableness of the rent must be judged of from circumstances altogether different.

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## CHAPTER II.

### OF THE PROFITS OF STOCK.

Stock usually affords a profit or advantage to the person who uses or employs it, whether he employ it as capital or as revenue. In its employment as capital, we have seen, that it supplants, abridges, and facilitates labour, enhances the efficiency of its powers, and renders mankind capable of executing works and acquiring objects of desire in quantities, of qualities, and varieties which would otherwise exceed their ability. In the use of stock as revenue, accommodations and comforts are enjoyed, which in some instances are indispensable to human existence, and in all the sources of gratification.

Stock, whether employed in business as capital, or used simply for the accommodation or enjoyment it affords, may be either the property of the person having the possession of it, or may belong to another. But this makes no difference in the benefits it is susceptible of yielding. In the first case, the profits or advantages accruing from its use go entirely to the

person employing or possessing it. Sometimes they form an addition to the produce of his own personal industry, and with which, in such case, they are often confounded. The profits of stock, however, are distinct in their nature from the produce of labour, and it will be our endeavour to exhibit them as such, and separated from that produce. When the use of stock is transferred by the owner to others, most commonly a stipulated portion of the produce, or a fixed sum, as hire or interest for it, is to be paid by the borrower to the lender, leaving to the former any other advantage attending its employment or possession. In such case, the revenue reserved to the owner as a return for the profit or accommodation the possession of the stock affords is clearly ascertained by the reserved rent, hire, or interest. This, however, may be either more or less than the actual increased produce or advantage which ought to be attributed as the result of its use, or more or less than the value of the accommodation it affords.

Thus, there being in some instances two parties, the proprietor and the possessor of the stock, between whom the whole advantage derived from its use is shared, this gives rise to two branches of inquiry; namely, the whole advantage acquired, and the hire or interest paid for it. As stock which is used in the function of revenue does not yield any material product, or other result beyond the gratification it affords to its possessor, this kind of stock does not seem to call for any observations. Accordingly, the first branch of our inquiry will be restricted to the profits accruing from the employment of stock in the function of capital.

## SECTION I.

### *Of the Profits of Capital.*

It would be possible to consider the profits of capital as a proportion of the whole produce created by industry,—as, for example, a fourth, a fifth, or any other definite proportion, which, in the distribution amongst the parties concerned in its creation, falls to the

capitalist in recompence for the service which his capital renders to the productive operation. But in the different instances of the employment of capital, the amount expended bears a larger or smaller proportion to the land and labour contributed; and, again, in different instances, the capital is occupied in the business during a longer or shorter time. Hence, the proportions of the whole produce acquired by capital must vary with these varying proportions of its contribution; and, in instances of dissimilar employment, must seldom be the same. This method of estimating and expressing profits would be inconvenient in practice; since it would afford no information by which a comparison might be made with its other employments, without expressing also the time it was occupied, and the amount of land and labour contributed in relation to it, in the different instances.

Another method of viewing the profits of capital may be, as an excess of commodities acquired by the outlay of capital above the commodities expended; measured in parts of the capital itself, whether it consist of money or of goods, at a *per centage*, and acquired during some uniform period, as a year, for instance. This method is more consonant with common usage. By equalizing the period of employment, we avoid the necessity of bringing time as an element into the expression; and the *per centage* affords a convenient expression whereby the relation may be estimated and compared with profits in other instances of employment. While the profits actually received by the capitalists in different instances bear a very different proportion to the whole produce, they nevertheless nearly correspond with each other in the amount *per cent. per annum*. Again, there is a constant tendency to an equalization in this *per centage* of profits in the different employments of capital; but none in the *proportion of the produce* which falls to the capitalist. Accordingly, in what is about to be offered, profits will be estimated and spoken of in the ordinary way, of a *per centage per annum* on the amount of capital employed.

Capital entitles its proprietor to a share of the produce of industry, to the creation of which its agency contributes on account of the service which it renders in the productive operation in augmenting and improving that produce; and from the ac-

commodation afforded to the workman in advancing his wages immediately on the performance of his work, before the goods are ready for sale, he being too necessitous to wait until the sale, and receipt of the money for the goods. It might perhaps be supposed, that the degree in which the produce of labour is augmented or improved by the capital would constitute its profit. For example, if by means of advances to the workman, of food, materials, tools, cattle, and machinery, he can execute three times as much work as he could without such assistance, it might be supposed that the person furnishing these articles would be entitled to something like two-thirds of the produce of the work, or the excess over what the workman without such assistance could have produced. But this is not the case in all instances. As we proceed, it will be attempted to show that, as a general rule, the service which the capital renders has no influence in determining the profit which the capitalist is enabled to acquire ; and that the profit is so determined only in those instances in which the capital *renders the least service*.

It is worthy of notice that in the different instances of the employment of capital in industry, it renders a service of very unequal value towards the productive operation ; for different portions of it assist labour and augment its produce in very unequal measures. A simple tool or implement, as, for example, a saw, may heighten the efficiency of labour a hundredfold, or even more ; while the employment of some other kinds of capital does no more than return the outlay with the lowest rate of profit. In the progress of society, the first portions of capital which are expended in industry generally yield a larger return than succeeding portions of equal amount. This is peculiarly the case in agriculture. The first hoe or spade, and the first seed-corn, which the early cultivators of the soil procured to assist the feeble powers of the hands and fingers in turning up the ground, and for sowing the germ of a highly useful plant, to procure a supply of food, must have increased the produce of labour in a greater degree than perhaps has been done by any subsequent additional acquisitions of capital of equal amount. In all old countries, where the whole of the fertile land is already under cultivation, it is exceedingly difficult to find new modes of

employment for capital to yield as high a rate of profit as is acquired on the old ; and, accordingly, when fresh accumulations of additional portions of capital call for new and extended sources of employment, lower rates of profit are usually submitted to. It is impossible to employ in agriculture additional capital, either on the same land in heightened cultivation, or on new land of inferior quality, except at a lower rate of return than is acquired on the old capital already in use. The agricultural capital at present employed in England yields on the average a certain profit ; say ten *per cent.* But if it were attempted to employ upon the land twice this quantity of capital, it could not be expected, when applied with the same knowledge and skill, and even if labourers had increased in the same proportion, to yield the same rate of return on the additional quantity. Instead of ten *per cent.*, the profit would probably be under seven. It is admitted that if new and superior modes of husbandry were discovered and brought into practice, or if those improved methods which are already known, but not yet extensively employed, were brought into more general use, it might be possible still to procure ten *per cent.* on a double amount. But when an existing capital is employed upon the soil in the most approved methods known, more capital can only be employed in the same manner, both with an inferior return in the quantity of produce, and at a less rate of profit. It is the same in manufactures and commerce. In these, capital cannot be employed to an indefinite extent without a falling off in the return. If an augmented capital at any time induce an extension of business, the sale of a larger quantity of goods can only be effected by offering to the public more advantageous terms and dealing on lower profits : the abilities of the purchasers have limits, which must always be met. This necessity of submitting to lower profits when tradesmen are determined to extend their business, is evidence, that in trade and commerce, as well as in agriculture, the first portions, if we may so speak, of capital employed yield a higher profit than the succeeding portions. A progressive augmentation of capital can only find employment at the previous rate of profit, by a commensurate augmentation of labourers, and by new acquisitions of land or raw materials

by whom and on which it may be employed ; or by a commensurate augmentation of sources of employment by new discoveries in the arts.

Now the general rate of profit does not in any manner depend on the degree in which *the whole amount* of capital employed in industry increases its produce. Neither is it at all affected by the degree in which *the more productive portions* increase that produce ; but is wholly dependent on the degree of assistance rendered by *the least productive portions*.

The degree in which the products of industry are augmented and improved by any employment of capital forms on one hand the maximum, or the utmost possible extent, to which its profits under any circumstances can be raised. This degree of augmentation and improvement forms the maximum, because, if a larger profit than this were demanded, the use of the capital would be dispensed with. But while profits cannot be higher than the actual assistance rendered by the capital, yet in all its more productive occupations the rate of profit is much inferior to the service rendered, and is determined without reference to the increased produce which its employment occasions. Different sorts of tools or other kinds of capital may make labour, some two, some four, and some ten times, more efficient than it would have been without their assistance. But this inequality in the assistance afforded, will make no difference in their rate of profit. The man who uses a spade or plough to assist his labour, instruments which heighten its efficiency in the greatest degree, will not be able to acquire larger profits from the employment of these articles of capital, than the man who employs a capital of equal value of any other, though much less effective, kind ; and this takes place because competition prevents him. If one sort of machine yield a greater profit to its owner than another sort of equal value and durability, so many more of the more profitable, and so many fewer of the less profitable, would be made, that the profits of each would soon be brought to a common level : thus it is with other kinds of capital. The competition of that which is employed in the less productive ways with that employed in the more productive, and the bidding of some of its owners against others to procure the more lucrative occupations

possessed by them, deprives them of the superior advantages of those occupations, advantages which they would reap if it were not for such competition, and tends to reduce the profits of all others to their own level.

In the successive application of additional portions of capital in agriculture, the profit to the farmer is the same on each of them, notwithstanding the different return they yield; the landlord, through competition amongst farmers, procuring, as rent, all the higher profits on the earlier and more productive portions. The same result takes place on different farms. The farmer's profit in cultivating the less productive land is equal to that of the more productive; the different amounts of rent equalizing them all. In manufactures and commerce, too, where no monopolies exist, and competition is unrestrained, this competition, which is of the nature to cause profits in all employments to approximate to a common level, reduces the rate of profit on all the old and more productive portions of capital to an equality with the last and least productive; leaving to the consumers all the benefit accruing from the reduction.

The least productive portion of the capital of a country is usually that which is the last created and accumulated; and, accordingly, it is this portion that determines the general rate of profit. Occupation cannot be found for it in channels equally advantageous with the old capital; it assists industry in the lowest degree, and the circumstance of its owners bidding lower terms against the owners of the old capital in order to obtain their more lucrative occupations, brings down their profits to the level of its own. In itself, however, it is exempt from competition; for no person covets to obtain so poor an occupation for capital; and hence its productiveness alone, or the degree in which it assists industry, determines its rate of profit.

There seems no ground to suppose that the general rate of profits can ever be below the amount of the augmented produce of industry created by the use of this least productive portion. It must in fact be somewhat higher; because competition is always attended with difficulty, which holds it in some degree of restraint, and prevents the establishment of a perfect equality of profits. The owners of capital are anxious to reap the whole



benefit accruing from the employment of their capital, and no competition amongst them will ever exist to reduce profits below that lowest rate which consists with the full employment of *all* the existing capital.

To place this subject in another light, let us suppose the case in some particular manufacture, of a newly-invented patent machine, which should enable the workman to perform in the same time double his previously executed quantity of work. The owner of this machine, so long as his patent lasts, will be able to let it out to hire for nearly the value of the whole labour which it saves ; notwithstanding that the expense of its construction and repairs are far from being equal to such high charges. But as soon as the patent shall expire, so many persons will make machines of the same kind, in the expectation of large profit from employing or selling them, that the hire will then be quickly reduced to no more than the customary rate of profit of other capital at the time on its cost ; which is of course determined by its greater or less durability, and the expense of its repairs. On the first introduction of the machine, the hire could not exceed the value of the saving of labour it effected ; for, if the demand had been higher than this, the manufacturers would not have used it ; but employed the old process instead. It must, indeed, be something less, in order to induce persons to adopt it ; but not in a great degree ; for we suppose that as yet there are not machines enough for all the manufacturers ; and competition amongst them would compel them to offer nearly its value. But when the patent shall expire, the inventor will no longer be able to refer to the great saving which it effects, since the manufacturer will only reply that he can procure elsewhere machines equally good on lower terms. Now, in the earliest accumulations of capital, its owners possess almost a monopoly, resembling that exercised by the proprietor of a patent invention, and are able to procure a rate of profits correspondingly high. But as other accumulations are made, competition immediately begins to act, reducing the previous monopoly rate, and gradually sinking it as competition becomes more active.

Such seem to be the causes which determine the general rate

of profits, or the share which, in the distribution of the produce of industry amongst the three classes contributing to its acquisition, the capitalists are enabled to acquire. These causes operate under all the changing circumstances of the amount of capital, and the extent of employment for it; whatever may be its ordinary productiveness, or the scantiness of its produce in general.

Hence a change in the general rate of profits may be produced by circumstances of two different kinds; first, by an increase or diminution in the amount of capital; and, secondly, by an extension or contraction of the known sources of profitable employment for it.

At any given time, there is a certain quantity of capital which its owners seek to employ productively, and there is a certain extent of business which may be carried on to yield a given profit. If the existing capital be sufficient, and no more than sufficient, to carry on this extent of business, the given profit will be realized. But if an alteration take place, either in the amount of existing capital, or the means of employing it, the capitalists will realize either more or less than this profit, as the case may be. In the event of such a diminution in the amount of capital in relation to this extent of business, as renders it inadequate to the purpose, whether produced, on one hand, by great and extended losses in business, the ravages of war, of insurrection, tempest, or similar causes; or, on the other, from new openings to industry; in all such events, the least advantageous occupations will be abandoned, and those of a more profitable character embraced, through openings in them produced by such diminution, until the demand for these more profitable means of occupation are supplied, and a lessening of competition in those which are less so afford the opportunity of raising their emoluments. When, thus, the last accumulated and invested and least productive portions of capital assist industry in a higher degree, the profit of capital generally may be expected to be commensurate with that assistance, and, consequently, the general rate of profit must rise, extending through all the employments of capital,

The reverse, on the other hand, is the consequence, when

an increase of capital has been accumulated which is more than sufficient to carry on business to this extent, and for which employment is wanted ; while all the old channels of industry are fully occupied and supplied. In such case, a difficulty is found in investing the additional portions, to yield the same rate of profit as the preceding portions, and unless new means of employment can be found commensurate with its increase, the rate of profits must fall. It is otherwise in newly-settled countries ; and hence one reason of their rapid progress in opulence and population. But in old countries, the newly-created and accumulated portions of capital can only find employment in ways which assist industry in a feeble degree, and this feeble assistance must prevent a higher rate of profit being obtained on it than the actual value of the service it renders, or the measure in which it augments the produce of labour ; while the competition of the new capital with the old to obtain the lucrative occupations in which the latter is invested, must cause the rate of profit generally to fall nearly to the level of that which is yielded from it in the new and less lucrative occupations. The fall will take place first in those branches of industry to which competition can be extended the most easily, and will gradually spread to those that are less open whenever competition can operate. Thus the relation of the existing amount of capital to the profitable uses to which men are able to apply it, at all times determines the sort of profitable or unprofitable occupations which the owners of the newly-created capital must be content to embark in, as likewise the rate of profits on capital generally, through a competition constantly tending to reduce all profits to one level ; that is, to the rate of the increase added to the produce of labour by the employment of their capital, which augments that produce in the lowest degree. Accordingly, at any given time, the amount of existing capital being given, the rate of profit is determined by the extent of the employment for it ; and, again, the extent of the employment being given, the rate of profit is determined by the amount of capital : the capital, as its relation to the employment changes, expanding or contracting any occupations which are of different degrees of profitableness.

Once more, the extent of the employment for capital, and, consequently, the degree of profitableness of its least productive portions, depends on the skill and science with which industry is applied. Inventions and discoveries when reduced to practice, as they enlarge the sphere of human labours, and render possible, or profitable, undertakings which previously would have been either impossible or unprofitable, and as they supersede labour by employing capital in its place, thus open to capital new sources of occupation, or enlarge old sources to a wider extent. Hence, the extent of employment depending on the state of science, when the amount of capital is a constant quantity, its rate of profit will vary by the greater or lesser application of science to industry. Its rate will be kept up by the advance of science, and will be proportionably lessened as it declines.

The competition which has been spoken of, is, a competition carried on amongst the proprietors of capital on one side, and of land and labour on the other ; and the profits are disputed between them ; the capitalists endeavouring to procure the largest profits possible, and the landlords and labourers to allow the least. Accordingly, what is lost on one side is gained on the other ; and, again, whatever is gained by one is lost by the other : or, more strictly speaking, what the capitalists lose, the consumers gain ; and what the capitalists gain, the consumers must pay for. In this loss or gain, the capitalists, as consumers, participate ; while, as producers, it is all their own.

The production of the industry of a country must be at its maximum, when every department is amply furnished with the best and most suitable machinery, and the fullest supply of all the other articles of capital which the nature of the employment calls for. On the other hand, when instead of this ample assistance, capital is scantily supplied, labour has to contend against difficulties, and its produce is proportionably scanty. It is evident, that whatever increases the quantity of commodities to be enjoyed by some one or other of the classes concerned in their acquisition, and whatever reduces the proportion which one of these classes, as, for example, that of the capitalists, is enabled to take for its share, must leave a greater balance to the share of one or both of the other two : these are the landlords and

labourers. When a greater productiveness of industry can no longer be effected, a rise of profits cannot take place without reducing either rents or wages. And, on the other hand, every reduction of profits, which is not the consequence of a diminished productiveness of industry, must necessarily cause an advance either of rents or wages, or both. The share which the capitalist receives depending on the competition of the market, and the relation of the supply of capital to the call for it, it is to an augmentation of capital that we must look, not only in great part for an increase in the produce of industry, but entirely for a diminution in the proportion or *per centage* which *he*, the capitalist, appropriates to himself. On the other hand, a diminution of capital, whilst it lessens the quantity of commodities which industry is enabled to acquire, through the imperfect assistance which it receives from capital, increases the rate of profits, and with it, the share which the capitalist takes on that portion of the capital that remains. The shares, therefore, either of the landlords or labourers, or of both of them, must be proportionably diminished; the cost of acquisition to them is increased, while the supply itself is less in quantity. As expenses are thus lowered, the owners of the capital which remains bring their goods to market at less cost than before, and the market being less amply supplied with goods, from the want of capital to produce them, they can sell them dearer; and thus profits are augmented, as it were, at both ends.

Dr. Adam Smith affirms that the rise and fall in the profits of stock depend on the increasing or declining state of the wealth of a society; an increase of stock lowering profits, and a decrease causing them to rise. But it is possible that the wealth of a society may advance or decline, and its profits yet remain unaffected. The rate of profits may rise or decline, not only from an alteration in the quantity of capital, but from an increase or diminution of employment for it. When larger openings are presented, or more profitable modes of employing capital are found, a rise of profits may follow. Amongst the circumstances which cause an augmented demand or more profitable employment for capital may be enumerated,—increased prosperity in the people, which enables them to consume more largely, and

articles of superior quality or of more costly kinds ; the acquisition of new branches of trade ; inventions which substitute machinery for manual labour, or more complicated and expensive machines or instruments for those of simple and cheap construction ; improvements in physical science of every kind which enlarge the sphere of human industry, create a greater quantity of products, and open new sources of employment, or old sources to a wider extent ; but above all, the acquisition of extensive colonial possessions, wherein new fields are opened for the profitable investment of capital. In all or either of these ways, an augmented demand for capital may be occasioned, and a rise in the rate of profits follow. Such rise, however, does not universally denote that capital is diminished : it is the result, not of a scarcity of capital, but of a multiplication of its uses. On the other hand, the wealth of a society may decline, and, notwithstanding this, the profit of its capital may not advance. It may be that some trade or branch of industry has been lost, which was previously possessed. As, then, there is no necessary connexion between the rate of profits and the advancing or declining state of a society, we cannot certainly infer from the observation of a change in the one, that a commensurate change in the other will ensue. We cannot conclude, either from the declining circumstances of a country, that profits will increase ; nor, on the other hand, from a fall in the rate of profits, that a society is advancing in opulence. But if the relation of the employment for capital to its amount be taken into computation, we may affirm, without danger of error, that the rate of profit must be dependent on the scarcity or abundance of capital.

The history of the rate of profits from the early ages to the present, will be found, on examination, to exemplify the position now stated, and to afford corresponding results. To determine, indeed, what is the rate of profits, or the most usual rate in any trade at a particular time and place, must be a problem of exceeding difficulty. Profit is so fluctuating, that a person in trade cannot always tell himself what is the average of his annual profit. It is affected, not only by the change of seasons ; by every variation of price in the commodities which he deals in, and his expenses in wages and other outgoings ; but

by the good or bad fortune both of his rivals and of his customers, as well as by a thousand other accidents to which every trade, and all goods when conveyed by sea or land, or even when stored in a warehouse, are liable. It varies, therefore, not only from year to year, but from day to day. To ascertain what is the average profit of all the different trades carried on in a country, must be much more difficult; and to judge of what it may have been formerly, or in remote periods of time, with any degree of precision, is altogether impossible.

But though it is impossible to determine, with any precision, what are or were the average profits, either in the present or in ancient times, some notion may be formed of them from the interest of money. It may be laid down as a maxim, that wherever a great profit can be made by the use of money, a high interest will commonly be given for its hire; and that, wherever little can be made by its use, less will commonly be given for it. According, therefore, as the usual market rate of interest varies in any country, we may be assured that the ordinary profits of capital must vary with it; must sink as it sinks, and rise as it rises. The progress of interest, therefore, gives us some notion of the progress of profit.

By the 37th of Henry VIII. all interest above ten per cent. was declared unlawful. More, it seems, had sometimes been taken before that time. In the reign of Edward VI. religious zeal prohibited all interest. This prohibition, however, like all others of the same kind, is said to have produced no effect, and probably rather increased than diminished the evil of usury. The statute of Henry VIII. was revived by the 13th of Elizabeth, and ten per cent. continued to be the legal rate of interest till the 21st of James I. when it was restricted to eight per cent. It was reduced to six per cent. soon after the Restoration, and by the 12th of Anne, to five per cent. All these different statutory regulations seem to have followed, and not to have gone before, the market rate of interest, or the rate at which people of good credit usually borrowed. Since the time of Queen Anne, five per cent. seems to have been generally rather above than below the market rate. In times of war it has been five and sometimes six per cent. But on the return of peace it

has gradually fallen again to three and a half and four per cent. From the accession of George II. in 1727 to the commencement of the war in 1739 it was little more than three per cent.

Since the time of Henry VIII. the wealth and revenue of the country seem, not only to have been steadily advancing, but the rate of their progression appears to have been continually accelerated ; while the profits of capital have been diminished. It is impossible to doubt, that this continual accumulation of capital has been the real cause of the gradual diminution of profits. How indeed could any other effect be the result ? When all the sources of employment for capital are exhausted which yield to industry the customary existing rate of profit, the competition produced by the continual endeavour to employ additional portions of capital, when no more can be employed at that rate, cannot but have a great effect in reducing profits, especially of late years, when capital, at least in this country, notwithstanding the vicissitudes to which it has been exposed, has been in a state of rapid increase. During the last war, the immense sums of money which were borrowed annually by the government were the accumulations of private individuals. As were, subsequently, all those large sums which have gone out of the country in loans to foreign powers and investments in foreign securities. When we recollect these, and the numerous mining and other commercial undertakings in our own and foreign countries supported by British capital, as well as the great public works and additions that have been made to the buildings, rail-roads, and other kinds of property at home, we cannot doubt that the annual savings of individuals in the United Kingdom must collectively be very large. To make an accurate estimate of its amount would be impossible, it perhaps can scarcely be less than from twenty to fifty millions sterling. Now if we suppose that additional employment is to be sought for capital to the amount of from twenty to fifty millions annually, either by new occupations at home, (where every occupation is already full,) or by investments abroad, the competition amongst the different owners of this capital must be so active as very much to reduce the rate of profit which capital will yield. Hence the reason why, since the peace, and since the government has ceased to absorb and



dissipate in a war expenditure all the people's savings, the interest of money has fallen nearly from five to three per cent. And hence the reason why, also, we may anticipate, if peace should continue, that a still further reduction will take place. The construction of rail-roads has for a time opened a new mode of investment for capital, and has thus for the present put off this reduction; but when this is exhausted, the overflowings of new accumulations of capital must again be felt in reducing the rate of profits;—unless indeed we imagine that, ere such time arrive, some fresh opening for the employment of capital will be found.

The position which has been now advanced, that the rate of profits of capital depends on the relation of the supply of capital to the known profitable uses to which there are the means of applying it, and the consequent degree of productiveness of the last-created and least advantageously occupied portion, has not hitherto been distinctly recognised.\* It is contended that the profits of capital depend on the productiveness of industry; that an increased productiveness brings about a universal rise of profits; and that “the decreasing fertility of the soil is, at bottom, the great and only necessary cause of a fall of profits.”† Again, it is said, that “the increased difficulty of raising raw produce has a tendency to lower the rate of profit, while the improvements in manufacturing and commercial industry have just the opposite effect.”‡ Now it has been shown already, that it is those portions of capital which afford the least assistance to labour that determine the rate of profit, and bring down the profit of the more advantageously employed portions to the level of their own. A greater productiveness of industry, generally, though it would benefit the people at large, would not raise the rate of profit, except the improvement applied to the least profitable occupations of capital, or to those in which it assists labour in the least degree; either by a greater call for capital which should cause these least profitable occupations to be abandoned, and more profitable ones resorted

\* I would here repeat, that this work was written long previous to the appearance of Dr. Longfield's Lectures, and that in justice to him, this remark does not apply to his view of the subject.

† Mr. M'Culloch, p. 380.

‡ Mr. Ramsay, p. 190.

to, or from some improvements being made in the method of conducting those particular occupations. A greater productiveness of industry at large does not necessarily call for more capital, since it may proceed from improved methods of business ; and while there is not room for further capital in the more profitable occupations, the general rate of profit cannot advance.

The fact that, while industry in our country during the last half century has become gradually more productive, the profits of capital, so far from having advanced in a commensurate degree, have, on the contrary, gradually fallen, and are still falling, corroborates the position that an increased productiveness of industry does not raise the rate of profits. If this position were not true, and the contrary admitted, profits ought to have risen to a very high pitch. That industry has become greatly more productive than formerly cannot be disputed, when we reflect that machinery and improved processes have been introduced into almost every department, as well agricultural and manufacturing, as commercial. Yet improvements, some of which enable one man to perform the labour that, fifty years ago, required the labour of two hundred, have had no effect in raising profits. It is true, a part of our industry has been devoted to the cultivation of unfruitful soils. But, notwithstanding this disadvantage, the productiveness of industry, *on the whole*, must have increased in a much greater proportion.

To render the position now stated more apparent, let us suppose the case of a farmer employing a capital in cultivation equivalent to 100 quarters of corn, and obtaining a return of 120 quarters ; making thereby a profit of 20 quarters. Suppose now that the productiveness of agricultural industry is universally doubled. The immediate effect will be, that the farmer, instead of 20 quarters, will obtain a profit of 140 quarters, on a capital of 100. But the question is, as to the permanent effect on the profits of capital arising from this enhancement of gain accruing from cultivation, and whether its effects be merely temporary. That the competition amongst capitalists in different branches of industry will soon reduce the profits of farming to the common level of the profits of other businesses cannot be disputed. And it may be granted, that the profits of capital, on

the whole, after this competition has produced its effect, will be somewhat greater than they were previous to such increase of gains in one considerable branch of industry. This question still remains, Is the rate of profit of capital, *on the whole*, permanently raised by such augmentation of the profits of agriculture? The first effect of larger profits will be the accumulation of more capital, and, subsequently, greater competition amongst capitalists to find advantageous employment for the new capital. In the case supposed, it is not stated that more capital than before is required in agriculture. And, therefore, as the produce of the land is doubled, and no more capital wanted to raise this double quantity, than was previously required to raise the single quantity; as, moreover, capital has been augmented, and competition, consequently, become more active than before; the conclusion forces itself upon us, that the increased rate of profit cannot be permanent, and that profits must eventually fall below the level at which they stood before the rise took place. As the share of the produce which the capitalist is enabled to demand declines, so must that of the labourer be increased. In the case supposed, the probability is that in succeeding years the cultivator will be unable to realize more than his first profit of 20 quarters, and that the additional 120 must go to the consumers. It is thus that increased productiveness of industry, in whatever branch it exists, tends to the advantage of the consumer.

From what is here said of the effects of greater productiveness of industry on the rate of profits of capital, it is easy to transfer the same reasoning, and demonstrate the same results, as ensuing from an augmentation of profit accruing through a saving in the expense of cultivation. This saving of expense is, in effect, rendering less capital necessary than before; setting free portions of capital now occupied in cultivation; depriving them of employment; and rendering them available to production in other ways. This saving of expense might happen from several causes; but in whatever way it happens, the same result must follow. It may be that new modes of husbandry lessen the quantity of seed required, and reduce the expense of horse labour, or the wear and tear of implements and machines. It may be that taxes are

lowered ; labour saved ; or, possibly, even wages reduced. This last saving to the farmer, which at first sight seems to involve a paradox, in that it assumes the rewards of labour to be augmented while its wages are lowered, might, however, occur in practice ; and the seeming contradiction will disappear when we consider that it is possible for the rewards of industry in general to increase, while those of one particular class may be lessened ; and that from causes extraneous to those which affect industry as a whole.

Again, on the other hand, it is mistaking cause for effect, when the reverse of this position is maintained, and it is said that the diminished productiveness of industry is the great and only necessary cause of a fall of profits. If the efficiency of industry determined the rate of profit, how should we be able to reconcile with this theory the fact of the high rate of interest in China, with, what is universally admitted, the general inefficiency of its industry ? The fact is, when profits have fallen from extrinsic causes, industry may be directed to new or more extensive employments which are less productive, and yet without a falling off of produce as the labourer's share of the return. Land of inferior fertility may be broken up, and the plough carried over a poorer territory than before, not because the labourer, but because the farmer, is satisfied with less. This diminished productiveness of the joint exercise of capital and labour in new or extended employments, is not the cause, but the consequence, of a fall of profits. Poor land is cultivated because profits are low, but profits are not low because this poor land has been taken into cultivation. When it is necessary, in order to a further supply of food, to resort to soils of inferior productiveness, and the produce yielded per acre is less in quantity than on the lands previously in cultivation, doubtless, in the division between the labourer and capitalist, the principal part of the produce must go to the labourer, for he could not work without being supplied with an adequate subsistence. But the *necessity* of the labourer's subsistence is by no means the cause of this land being cultivated. Though the labourer should starve, the capitalist would never advance him the means of cultivating inferior soils, if by this means the same return on capital could not be procured

as could be procured from other investments. In the business of life, it is not motives of charity, but of interest, that are the springs of action. If capital has not increased, how can it be expected of the capitalist to withdraw his capital from employments which already yield a good return, and invest it at a loss in the cultivation of inferior soils, for the purpose of enabling a starving peasantry to subsist? Even if this were done, it would be a misdirected philanthropy, and the effect on society would be injurious rather than beneficial. It is only when an increase of capital has taken place, and there are no means of investing the new portions, to procure as good a return as is obtained from the old portions, that the labourer can expect to receive a loan of capital to cultivate inferior soils with a diminished rate of profit. This diminished productiveness of the joint exertion of industry and capital is not, then, as was before said, the *cause* of a fall of profits, but its *consequence*. The cause of the fall of profits is, that capital has increased, in relation to its means of employment, and the additional portions cannot be employed with the same rate of profit as is yielded by the previous portions.

Mr. Ricardo's theory of profits is founded on the assumptions that the rate of profits depends upon the wages of labour, while wages depend upon the quality of the poorest land cultivated; that as wages rise profits decline; and, on the contrary, that as wages fall profits rise. But so far are these positions from the truth, that the very contrary is the case. Enough has been said already to show that profits are independent of wages. There are some occupations in which wages are exceedingly low;—farming and the silk manufacture may be taken as examples. But yet we do not find that profits are higher in these occupations than in others; on the contrary, they seem to be lower. In general, too, we observe, when business becomes depressed or revives, that profits and wages seem to fall or rise together, rather than in opposite directions; and the interests of the workmen and masters appear to prosper or decline in company with each other. The real rewards of labour, or the quantity and quality of the objects which labour procures, are at their highest when capital is furnished to the workman in the most ample measure, and, consequently, when his labour is most pro-

ductive. But when capital can be so furnished, its quantity must be so great that difficulty must be experienced in finding profitable occupation for its whole amount, and its last created and employed portions, on which the general rate of profits depends, must be but little productive, and, consequently, must cause the general rate of profits to be low. Again, when the general rate of profits is low, the deduction from labour on account of profits is small, and its net amount consequently large; while, on the other hand, when profits are high, this deduction being larger, the net produce left to labour must be smaller.

In the present day, we hear complaints amongst capitalists that profits have fallen to an unprecedentedly low rate. They say, though business is carried on, yet, for what is gained by it, it might almost as well be given up. From such complaints we are led to believe that a general falling off of profits is a national loss, that it indicates a decay of trade, and that the resources of our country are nearly exhausted. Persons, too, better able to judge, have been of opinion that the prosperity of a country is in proportion to the rate of profit. It has been said, "Wherever profits are high, capital is rapidly augmented, and there is a proportionally rapid increase of wealth and population; but, on the other hand, wherever profits are low, the means of employing additional labour are proportionally limited, and the progress of society rendered so much the slower. It is not, therefore, by the absolute amount of its capital, but by *its power of employing that capital with advantage*—a power which will always be correctly measured by the common and average rate of profit—that the capacity of any country to increase in wealth and population is to be estimated."\* In this quotation two inaccuracies are observable; first, it is assumed that capital is the means of employing labour; and, secondly, that the average rate of profit is the index of the power of employing capital with advantage. With regard to the first of these positions, it is unnecessary to do more than refer, for the grounds on which its truth is denied, to what has been already advanced in the chapter on employment. With regard to the second, if authority were argument, our great master, Smith, might be

\* Mr. M'Culloch, p. 106.

adduced in opposition to it. He says, "As riches, improvement, and population have increased, interest has declined. The wages of labour do not sink with the profits of stock; and after these are diminished, stock may not only continue to increase, but to increase much faster."\* But authority will not be insisted on. The capacity of a country to increase in wealth and population must undoubtedly depend on "*its power of employing its capital with advantage*;" that is, however, let it be noticed, its labour and capital; for capital must be employed by labourers; it can produce nothing alone. Now the rate of profit acquired by the capitalist cannot be looked to as the index of this latter power, or of the profitable character of the return obtained from the employment of the whole capital and labour jointly. This character must depend on the gross amount resulting from that joint employment, and not from the return acquired by the capitalist alone.

The circumstance of the rate of the profits of capital depending, as they do, on the value of the service rendered to labour by the least advantageous employment of capital, presents no criterion from which to form a judgment on the productiveness of the other and more serviceable portions, or of the whole mass of capital taken collectively. Whatever be the character of this least advantageously employed capital, it is but a *portion*, perhaps a small portion, of the whole capital of a country which is thus circumstanced; and, notwithstanding its unprofitableness, the great mass of the capital employed may be of a highly profitable character, not perhaps to the capitalists, but to industry at large. Again, when additional portions of capital have been accumulated, it does not follow, because these portions cannot commonly be invested so as to yield the same rate of profit as heretofore, that the produce of the industry employing the preceding portions has in any degree fallen off. No effect of this kind can result. The gross produce of industry must be augmented by the addition of the new capital to the old, and the increased assistance thereby afforded to it; since it must be employed, though it be with less productiveness than the old. The abundance of capital causes machinery to be used of a costly and powerful kind, and the absolute production it

\* Book I. ch. 9.

yields cannot but be great, notwithstanding that the rate of profit to the capitalist may be low. Thus the rate of profits being determined by only a small portion of the whole capital of a country, it cannot be regarded as a subject either of alarm when it is low, or of satisfaction when increasing. It is not denied that it may be to the prejudice of the capitalists that their profits are reduced. But as far as regards the working classes, a reduction of profits is in effect a commensurate augmentation of wages. High profits of capital, and high wages of labour, are things almost incompatible with each other, and perhaps are never found together except in the peculiar circumstances of newly-settled countries, where the abundance of land and its great fertility compensate for high profits. A high rate of profit, ordinarily, indicates a scarcity of capital; that the labourer must employ it sparingly, while he pays dearly for its use. Thus it is in all poor countries, where the effective powers of industry are on the lowest scale, and the rate of profits on the highest. The reverse takes place in rich countries. Here; on the contrary, we find a low rate of profit, and an active competition amongst capitalists, indicating an abundance of capital; that the labourers of every kind are amply furnished with the suitable capital to render their industry effective; that they are easily able to procure the loan of capital, while they pay a moderate remuneration for the use of it; and, consequently, have greater facility of accumulation. But it is not the poor, the feeble, the ignorant, and starving countries, whose profit is the highest, that are most on the advance. It is here that progress is the slowest, and the first forward step the most difficult to be made. It is with nations as with individuals, a large capital, though with small profits, generally increases faster than a small capital with great profits. According to the proverb, It is money that makes money. When you have got a little, it is easy to get more. The great difficulty is to get that little; and we find, both amongst individuals and nations, that where wealth exists in the most ample measure, *there* is the greatest power of accumulation and of further advancement.

It is not, then, the rate of profit gained by the capitalist that



is the "real barometer, the true and infallible criterion of national prosperity." This criterion must be looked for only in the gross production which the capital and labour of the country together present; which production is entirely distinct from that share of the produce which, in the distribution amongst the parties concerned in production, goes to the capitalist as profit, and constitutes the rate of that profit. If the rate of profits were the index of public prosperity, and of the advance or decline of wealth and population, then we should expect to find the East Indies one of the countries most fortunate in this respect, and advancing with the most rapid strides in wealth and population. There, money is often lent to the cultivators of the rice grounds on interest at the rate of thirty, forty, and fifty per cent. per annum, and the succeeding crop mortgaged for its payment. But notwithstanding this supposed sign of prosperity, and the prolific effects on vegetation of a tropical climate, we find the people in the most abject state of poverty, subject to the frequent recurrence of famine in its most dreadful forms. China, where the common interest of money is said to be from twelve to eighteen per cent., and the legal rate three per cent. per month, has been supposed to have been for many centuries nearly stationary in wealth and population; while its poor are so scantily supplied with food as to be eager to catch at everything capable of being eaten, though of the most offensive and disgusting kind. Admitting that the peculiar circumstances of eastern countries render the rate of interest there but an uncertain criterion from which to judge of the actual rate of profits, yet with every possible allowance that can reasonably be made, they must be beyond comparison higher than any known in European countries. Indeed, from the small amount of capital employed, its produce must, in the nature of things, be unusually large. Such extraordinary profits cannot but swallow up the subsistence of labour, or, more correctly speaking, the feeble powers of the labourer are incompetent to produce sufficient for his support, when all the additional produce which capital enables him to raise is taken away. Whatever increases the share of the capitalist, without augmenting the gross produce raised, must lessen, in an equal degree, the share of the

labourer. A fall in the rate of profit and interest, then, in any country, so far from showing that "the plague of poverty is secretly creeping on the mass of her citizens; that the foundations of her power and greatness have been shaken; and that her decline may be confidently anticipated;" must indicate the very reverse. It is the natural effect, and almost an infallible sign, of public prosperity, and shows that an augmentation of national wealth has taken place, whence may as confidently be predicted an increase of population and of national power. It is possible, indeed, that some sudden and great check to commerce may have a momentary effect in reducing the rate of profits, by throwing many stocks out of trade; but a check of this kind must be attended with such misery and want of employment to the poor, that, besides its short duration, it will not be possible to mistake the one case for the other.

Neither is heavy taxation the cause of low profits. On the contrary, heavy taxation, which absorbs the fund from which accumulation would otherwise take place, must occasion a scarcity of capital, and, consequently, a high rate of remuneration to be paid to the capitalist. Heavy taxation, if it be on articles of expenditure, will lessen the quantity of these articles which the capitalist will be able to command, though without lowering the rate of profit. Or, the same thing will happen, if taxes be placed directly on the revenue derived from capital. It will cause the net sum which will be at the disposal of the capitalist to be only equivalent to a low rate of profit untaxed; but in neither case can the rate of profit be low on account of heavy taxation. Its natural and powerful effect is directly the reverse. It has been said, that "it was the excessive weight of taxation that was the real cause of the lowness of profits in Holland, and, consequently, of the decline of her manufacturing and commercial prosperity." But if what has been now advanced be correct, the excessive weight of taxation in that country must have produced her decline, not through the assumed natural and necessary effect of taxation lowering profits, but more probably through the mode of imposition of her taxes, combined with the restrictive commercial system acted on by

her and other countries, narrowing the market, fettering and cramping the exertion of industry, by contracting or drying up the sources of employment for capital, and thus reducing the rate of profits. In such case, however, her low profits were the *consequence* and not the *cause* of her decline.

A low rate of profit lessens the power of the capitalist to accumulate, while the wages of labour being in consequence of that low rate proportionally high, the power of the labourer to accumulate is increased in the same proportion as that of the capitalist is taken away. Here, then, are two concurrent causes oppositely acting on the accumulation of capital. Whether capital is more or less accumulated, and general opulence and comfort better promoted by the means of accumulation being more in the hands of capitalists than in those of labourers, in other words, by a high or a low rate of profit, is a question which merits notice. It seems probable that accumulation may go on faster when the power of accumulation is more in the hands of capitalists than of labourers. But if the happiness of the greater number be the object of attainment, one cannot doubt that a low rate of profit, which, whilst it is injurious to the few, is beneficial to the many, must tend more to the public happiness.

When capital is abundant and profits are low, many investments of capital take place which could not otherwise be made, both from the want, in the latter case, of the necessary capital, and because its high rate of profit would render such investment less lucrative than others. When profits are low, money is expended more largely than before in substantial and durable improvements, both public and private, which cannot afterwards be removed or transferred from the land. It is also laid out more in education and instruction in the higher skilled occupations. Whence the labour of more intelligent and skilful labourers will offer to the general market of the world goods of more costly kinds and higher value, which will procure in exchange for them larger quantities of such goods as are of a ruder kind, and produced in other countries without the employment of so great skill and capital.

The rate of profit having a tendency to an equalization in

different places, when capital accumulates in a particular country at a quicker rate than in other countries, the relatively low rate of profit occasioned thereby affords an inducement to transport capital to foreign countries. Within the same territory, a constant flow of capital is kept up from one place to another, which so nearly equalizes profits in all its different districts as that the difference is hardly perceptible. In country places, indeed, profits usually are somewhat higher than in large and opulent towns. In these last, the number of rich capitalists causes competition to be more active, and generally reduces profits rather below the standard reached in the rural districts. But between different countries, though the same tendency to an equalization exists, yet it is opposed by circumstances of a more formidable character, and the dissimilarity in profits in different countries is consequently much greater. To a certain extent, however, capital is constantly transported from one country to another, when higher profits can be gained thereby, with an adequate security.

It is a common opinion, that it is injurious to a country to have its capital transported to foreign countries for employment or investment. Unless, however, it be through want of security for the capital at home, and unless the sources of its employment are lessened, its exportation is evidence of public prosperity, and shows its redundancy at home, or else that it has increased beyond the means of employment for it with a suitable profit in the proper business of the country. Its exportation by no means proves that trade at home has declined, but leads rather to the contrary supposition. The foreign must yield a better return than the home employment; for, unless this were the case, the owners would not allow their property to go so far from their own inspection and control. Passing by the consequences which political considerations might lead us to apprehend, in the event of war, from capital being invested in an enemy's country, and viewing the question purely in an economical light, the more profitable employment abroad than could be found at home affords a presumption that it must be advantageous. Unquestionably, the capitalists whose incomes are thus increased are benefited. Nor is this all; the exportation of capital rendering it scarcer than it otherwise

would be at home, must in some measure raise or keep up the rate of profit on the whole capital of the country; and thus benefit the whole class of capitalists. As members of the community, their interest forms part of the public interest, and looking no further than this, it must be admitted that the public interest is promoted by such transmission. In order to prove the contrary, it must be shown, that the loss sustained therefrom by other members of the community exceeds the benefit resulting to the capitalists.

The capital exported, is, if not wholly, yet for the most part, capital newly created and accumulated, and capital which has not heretofore been in any way employed. Being the property of those who export it, every advantage accruing from it goes to its owners, and to no one else. Whence it seems of small concern to others what may become of it. Its transmission, however, though not a positive, is a negative loss to the major part of the community. Whatever the capital may consist of, whether of corn, or clothing, or their equivalents, the exportation of the articles renders them dearer in the market, and the capitalists concerned in producing them will get a higher price for the capital employed in their production. Industry, on the whole, has to pay this higher price, but takes no share of benefit; for production at large is not increased by high prices, it is only production in a particular branch of trade that is increased by a high price in that branch, and this is attended with a commensurate falling off of production in other branches. Production, then, not having increased, and the share of the capitalists being greater, the labourer's share is diminished, by his having to pay a higher price for all articles into which the profit of capital enters as a constituent part of price. Again, the corn and clothing, or whatever else the capital may consist in, being sent abroad to obtain a profit, instead of being paid as wages to labourers at home to create some new capital, or otherwise procure a profitable return, the want of offers of capital to persons in business, and its attendant scarcity, will also in this way cause a higher remuneration to be paid for it in every shape.

Thus, the first effect of the exportation of the principal

money, if we may so call it, of capital, is to confer benefit on the capitalists, while the rest of the community suffer a negative loss. Similar consequences follow from the permanent loss of the capital to domestic industry through its continuance abroad. The lasting effect of a higher revenue acquired by the owners of the capital exported will be, that corn and clothing, or other commodities, must be annually sent back by foreigners to pay the interest on the capital they have borrowed. Distant countries thus become, as it were, tributaries to a part of our countrymen, who live at home in affluence on the labours of the natives of those countries. The gross produce of the whole national capital is greater by the larger return of the portion sent abroad, which could not have yielded so good a return at home. Further than this, the effect on domestic industry of the annual importation of commodities can be of little, if of any, consequence. The individuals on whose account they are sent derive all the benefit. It is plain, if the commodities were of kinds exactly suited to the wants of these parties, they would be all consumed by them, and no effect would be produced beyond their own circle. The same must really happen, if the commodities are wholly, or in part, unsuited to the wants of these persons. In such case, they will be merely exchanged by them, value for value, for commodities or services adapted to their wishes. Nothing will be given away, or given for less than its equivalent; and no advantage can accrue to any other than the parties to whom they are at first transmitted. But the greater revenue acquired by these parties from sending their capital abroad, is a decided benefit to them, and acquired without positive injury to any one. It renders them better able to support the public burthens, which, consequently, may be lightened on the other subjects of the state. If the revenue from abroad were not greater than might be procured at home, it would be conferring an advantage on foreigners in preference to their own countrymen, without benefiting themselves. But since the revenue is greater, we may expect, that the benefits accruing therefrom must, in all probability, equal the indirect disadvantage to those who, without such exportation, would have been served. It is the interest of a country that the whole of its capital should be

so employed as to yield the largest produce; that it should move from one district to another whenever a greater production can be effected thereby. If, then, its flow from one place to another in the same country be beneficial, why should it be accounted injurious when it merely passes beyond a certain limit—a river, or imaginary line, which marks the boundaries of different nations? We ought not to desire to injure the capitalists; and thus we ought not to regret that money is sent abroad when it can no longer procure a good return at home.

The exportation of capital must, doubtless, be of advantage to those foreign countries which thereby obtain the use of a capital that they would not otherwise possess, and thus reap the surplus profit accruing from its employment, after payment of the interest to its owners. This benefit, and the consequent superior productiveness of foreign industry, placing them in more advantageous circumstances in the competition of the market, is rather to be desired than depreciated, as we have already shown in another place.

## SECTION II.

### *Of Stock let on Hire, and Money lent at Interest.*

THE inquiry now is, not into the actual magnitude of the profit or advantage which the possession and use of stock afford, but into the consideration which is paid to the owners for relinquishing its possession, or the revenue which they derive from the stock, without using or employing it themselves.

Although stock when let to hire or at interest affords a revenue to the owner, it is not on that account to be classed as capital. The borrower may use it either as capital in business, or merely as an object of consumption from the use or accommodation it affords. Dwelling-houses are let to be occupied or used as stock devoted to consumption, and without view to reproduction. Money is commonly lent to be employed as capital for further production; but not always so. Country gentlemen sometimes borrow upon mortgage in order to spend, sometimes

in improving their estates, but more commonly, to pay for what has been already spent; their expenses having exceeded their incomes. But of this class of borrowers, the greatest of all are governments, through the disbursements of the state going beyond the receipts of the treasury. If borrowed money be employed as capital, it commonly reproduces itself with a profit, thereby enabling the borrower to pay the interest, and ultimately to restore the principal, without drawing from any other source of revenue. If he use it as stock devoted to consumption, both the payment of the interest, and, so far as the principal is consumed, its restoration, must be drawn from some other source of revenue.

If we except money, which, amongst different kinds of stock, is in some respects distinct from others, it may be said that the hire of all the different articles which are comprised in the general description of stock is determined by the same universal principles. Like the rent of land, or the wages of the separate classes of labourers, it increases or decreases with the changes which continually take place in the relation between the quantity of the particular kind desired to be let for hire on one hand, and the quantity desired to be hired on the other. An increase in the quantity to be let, unaccompanied by a corresponding increase of employment for it, lowers the hire, and, on the contrary, a greater opportunity of employment without a corresponding increase of articles to be let, raises it.

Again, the hire of an article being the consideration for relinquishing the advantages which might be procured by retaining possession of it, necessarily depends much upon the profit which can be got by its possession and employment. For according to what the owner could get by using it himself will be his demand in lending it to another. Where, therefore, much can be made by its use, much will be expected on one hand for the loan, and given on the other. Thus the rate of hire, and the profit gained by the article lent, increase and decrease together. When profits in business are high, there are so many persons desirous of participating in them, that the competition of these persons with one another to obtain the articles which may put them in a condition to share these profits, gives an



opportunity to the lender to raise his demand. Indeed, if only a small consideration were offered, the owner would employ the articles himself. On the other hand, when but little is to be procured by their employment, a man cannot afford to give much for the use of them, and their hire must consequently be low.

In the work of industry, there are many kinds of capital that are continually changing their form ; some kinds in their employment disappear altogether from their original form, and reappear in the product which industry creates. Thus, capital in subsistence and clothing for labourers is consumed by them, and reappears in the product of their labour, be it of what kind it may. Other kinds of capital there are which in their nature are inconvertible from their existing form to any other, except as through their aid labour creates new articles, while they themselves fall to decay, in a longer or shorter space of time. But of these kinds of capital which eventually assume a new form in the product which they create, while they themselves disappear in the process, the most part is capable of reappearing in one or more definite shapes alone, and in no other. Capital in farming stock, as seed, cattle, and implements of husbandry, becomes transformed into agricultural produce ; but into nothing else : it cannot assume the shape of manufactures. Neither can the capital in the buildings, machinery, and materials of manufacture produce anything but manufactures. Even money, considered the most convertible kind of capital, can only purchase commodities and make payments. Although every kind of capital may be procured with it, this is merely a change of the same items of capital from one proprietor to another ; not an actual conversion of money into goods, or into capital of another kind. So articles of all the different kinds of stock are bought, sold, and exchanged amongst different individuals one against another ; but we must not mistake this change of owners for a conversion of the articles themselves into other forms. Capital once invested with a particular form, is withdrawn for ever from circulation in any other form than that which is given to it, or that which it has a limited susceptibility of assuming afterwards.

Hence it is evident that stock of every kind, whether money,

goods, cattle, buildings, or what not, is only capable of operating by competition in the market *on things of a like kind*; since it can yield no other benefit than that which is peculiar to itself. All descriptions of stock separately, are liable from time to time to exist in a greater or less abundance or scarcity, in relation to the uses to which they are applicable. Sometimes one kind exists in great plenty; at other times, another. But the abundance of the supply of one kind has no immediate effect on the supply of other kinds: time must be given for industry to change the direction of its labours before the equilibrium can be restored. Consequently, the hire of every kind of stock is liable from time to time to rise or fall in the same manner as the prices of their purchase, and this without a change taking place in the hire of other kinds. The abundance of stock of one description has no effect on the terms which are demanded for the loan of stock of other descriptions, unless they are convertible into one another. The hire of a house, for example, is higher or lower from time to time, according to the demand for houses; while the terms demanded for the loan of other kinds of stock remain without alteration. The same of horses; their hire is greater or less at different seasons, as they are more or less in request. At one and the same time the rent of houses may be high, and the hire of horses low; and an equality between them can only be brought about, in process of time, by the future operations of industry being directed in different measures to the building of houses and to the breeding of horses. But since all kinds of stock are subject to decay, and require to be renovated, if at any time one kind should be less profitable than another, industry would not be applied to renovate that particular kind, but would be employed to create some other and more extensive means of profit, until the equilibrium of gain should be restored; and thus the profits of every kind of stock usually approach nearly to an equality.

Money, however, or a stock lent at interest, is in some respects peculiar in its circumstances. Unlike other kinds of stock, which when let to hire are to be themselves returned at the expiration of the term for which they are hired, money when lent is not to be repaid in the precise pieces of coin or paper

which pass between the parties ; it is enough if the repayment be made in other pieces of money of equal value. Although in loans at interest it is usually money that passes from the lender to the borrower, it is not, in the great majority of instances, either money which is the real and original object parted with by the one, or the ultimate object acquired by the other. The lender must have procured the money which he advances by parting with either some kind of property or some labour. Most commonly some property is converted at the moment into money, for the purpose of lending. But the money not being an article to be consumed or retained for use, is itself of no use to the borrower. The pieces of coin or paper are not the things he wants, and the advantage which he contemplates from the loan is not the retaining of these in his hands, but the acquisition of some other articles he needs, and which these pieces give him the means of purchasing. Thus money is in general not wanted to be hired *for time* : while retained in hand, it neither produces profit nor serves any useful purpose. The borrower, therefore, never allows the money to lie idle. Immediately after procuring it, he parts with it in exchange for the things he wants. Though, therefore, for greater convenience, property is usually converted into money previous to lending, yet being immediately reconverted by the borrower into other objects, it may be said, in a more extended sense, that what the lender really supplies, and what the borrower really obtains, is not the money, or pieces of coin or paper that actually pass, and which are the mere instruments of conveyance, but the things for which it is exchanged. It is a power of acquiring things equal to the money's worth : a power which, although extending to indeterminate objects, is, notwithstanding, sufficiently definite in itself.

It is true, amongst mercantile and monied men, money is often hired for a time, particularly for short periods, for the purpose of holding in reserve to make purchases or answer payments coming due, or that are expected to be demanded. In this case, its hire or interest is determined by its scarcity or abundance at the time in relation to the demand for it. On the stock-exchange the interest of money borrowed for very

short periods varies from the rate of two to fifteen or twenty per cent. per annum. It has been said, that during "the panic" at the close of the year 1825, there were instances in which money was borrowed for a short time at the rate of seventy *per cent.* per annum.

But in loans made for considerable periods, it is not a scarcity or abundance of money, of only temporary continuance, that determines the rate of interest. A man desirous of lending money on mortgage for a long period would hardly think it worth while to forego an advantageous opportunity of so investing it, in order to avail himself of a higher offer for his money for a week or a month, although during such short period it might produce him three or four times the rate of interest; after which he might perhaps scarcely be able for a long time to find any one to give him a reasonable interest for it.

As the pieces of money by which the power of acquiring articles is conveyed from one party to another are never retained long in hand, the same pieces, after having conveyed to one individual the power of acquiring a quantity of things equal to their value, serve the same office to a second, to whom they are parted with, and confer on him a like power; and so, again, on a third; and thus the identical pieces of money serve over and over again to convey an equal power to many different persons, and are performing a constant round of payments without end. The whole power thus conveyed in succession extends to a multitude of valuable objects, whose total value amounts to the value of the money multiplied a great many times over, and this within a short period. Consequently, when money has been borrowed, no scarcity of it is occasioned thereby in the market; because it is not kept in hand, but is immediately offered for sale again. With the goods it purchases it is otherwise: these when procured are kept for use or consumed, and extensive purchases may cause a scarcity of them in the market.

Hence it is evident, that it cannot be the quantity of *money* in any country which regulates its rate of interest, since this money serves merely as the instrument of transfer from one hand to another of the different loans made by it, which are called

indeed loans of money, but which in reality are loans of stock. So far as quantity is concerned, it must be the quantity of *stock* existing in it, and which the owners do not care to be at the trouble of employing themselves, which determines this rate. This stock may be greater in amount, in almost any proportion, than the money which conveys it from hand to hand. The payment for the use of stock must be affected by the circumstances which affect the stock itself, and not the instrument of its conveyance. The general and continued scarcity or abundance of money in the market affects its value; and more or less of it than before must be offered for the purchase of the same quantity of goods; but this will not affect either its rate of interest, or the rate of interest of stock. As the *value* of money changes, so likewise does the *value* of the interest which is paid in it, though the number of pieces remain the same; but the *rate* of interest is unaffected by such change. If it were the plenty or scarcity of *money* which determined the rate of interest, we might expect to find it lower in South America, the West Indies, Spain, and Portugal, whence it passes to the other parts of the world, than in England, Holland, France, and Germany, countries to which it is imported: whereas the contrary is the fact. Increasing the quantity of *money*, therefore, could not have the effect of lowering the *rate* of interest in a greater degree than the increasing any other kind of stock.

On this subject Hume well remarks—"Were all the gold in England annihilated at once, and one and twenty shillings substituted in the place of every guinea, would money be more plentiful or interest lower? No, surely: we should only use silver instead of gold. Were gold rendered as common as silver, and silver as common as copper, would money be more plentiful or interest lower? We may assuredly give the same answer. Our shillings would then be yellow, and our halfpence white; and we should have no guineas. No other difference would ever be observed; no alteration on commerce, manufactures navigation, or interest; unless we imagine that the colour of the metal is of any consequence. Now, what is so visible in these greater variations of scarcity or abundance in the precious

metals, must hold in all inferior changes. If the multiplying of gold and silver fifteen times makes no difference, much less can the doubling or tripling them. All augmentation has no other effect than to heighten the price of labour and commodities; and even this variation is little more than that of a name. In the progress towards these changes, the augmentation may have some influence, by exciting industry; but after the prices are settled, suitably to the new abundance of gold and silver, it has no manner of influence. An effect always holds proportion with its cause. Prices have arisen near four times since the discovery of the Indies; and it is probable gold and silver have multiplied much more; but interest has not fallen much above half. The rate of interest, therefore, is not derived from the quantity of the precious metals.”\*

As the hire of articles in general depends on the profit which can be got by their possession and employment, so the rate of interest of money, which is in effect ultimately the hire of stock, is determined by the advantages accruing from its possession. “No man will accept of low profits, where he can have high interest; and no man will accept of low interest, where he can have high profits.” The whole of these advantages, however, are not to be considered, because some must be left to indemnify the borrower for his trouble and risk, and to hold out to him an inducement to attempt the adventure. But being affected by these advantages, the rate of interest rises or falls as they increase or diminish. As the quantity of stock increases, and it becomes gradually more and more difficult to find modes of employment for new stock to yield the profit which has been previously acquired on the old stock, the profit which can be made by employing additional quantities decreases. As, therefore, the profit derived from the employment of new stock diminishes, the hire, or rate of interest, which can be paid for the use of it must necessarily diminish with it. But the effect of this diminution in the rate of interest on newly-created stock, is not confined to this sort of stock alone. It extends equally to the whole quantity of stock, old as well as new, employed in

the country; although much greater advantages accrue to industry from the employment of some than of other portions of that stock. The competition which arises between different capitals, the owner of one endeavouring to get possession of the more lucrative employment which is occupied by another, and, in order to do this, dealing on less advantageous terms, while it tends to equalize profits in all occupations, at the same time enables persons desirous of procuring loans to get them on the terms which are established by the least profitable portions of stock.

But while the interest of money is thus chiefly dependent on the profit which can be gained by employing it productively, it is also materially influenced by the extent of the demand for money for unproductive uses. When an improvident and necessitous government comes into the market with large demands for money for public purposes, the market is greatly influenced thereby. During the late war, the enormous sums borrowed by our government raised the current rate of interest to nearly double what it was previous to the commencement of hostilities. In thus raising the rate of interest, it raised also the general rate of profit, which is affected by the competition between borrowers and lenders;—the relation of the demand to the supply of money determining the rate of interest. Where great riches abound, and numbers of persons are ready to supply the demand of borrowers, while few stand in need of loans, there the interest of money, as well as the profits of business, will be low. But, on the other hand, where a great demand for borrowing exists, especially on the part of government, while the people have scanty means of supplying such demand, interest and profits will be high. Such circumstances are proof of the small advance of industry, not of the scarcity of gold and silver. But whether low interest is the cause or the effect of low profits, it is needless to inquire. They both proceed from great riches, and mutually forward each other. Again, in order to have many lenders, it is not enough that much money or stock should exist, diffused in small portions in the hands of numerous persons, few of whom are willing to lend. It must be collected in considerable sums in the hands of persons who are willing to

lend at interest. It must exist in the form of capital ;—not of stock reserved for consumption.

The proportion which the market rate of interest ought to bear to the ordinary rate of clear profit, necessarily varies, both according to the magnitude of the sum employed, and as profit rises or falls. Double interest is in Great Britain reckoned a good and reasonable profit. In a country where the ordinary rate of clear profit is eight or ten per cent., it may be reasonable that one-half of it should go to interest, where business is carried on with borrowed money. The business is at the risk of the borrower, who, as it were, insures the interest to the lender ; and four or five per cent. may, in the greater number of trades, be both a sufficient profit upon the risk of this insurance, and a sufficient recompence for the trouble of employing the stock. But the proportion between interest and clear profit might not be the same in countries where the ordinary rate of profit is either a good deal lower, or a good deal higher.

In loans of money, the security presented to the lender for its repayment together with the interest for its use, forms a consideration which always affects the terms of the contract for interest. A risk of loss to the lender attends loans of money in a greater degree than loans of other property, and greater than attends most other contracts of business. When land or buildings are let, there is no danger of their being carried away. When a horse or a machine is let, the borrower cannot change its form, and so elude the pursuit of the owner ; and neither can he carry off and sell property in such shapes, but at the hazard of the forfeiture of his life or liberty. In the sale of property, the purchase money is frequently paid on delivery, or within a short period after, and the transaction is then ended. But in money loans there is generally a continued risk during the whole period of the loan. Accordingly, the nature of the security offered to the lender must always affect the demand of interest he will make, and ought, indeed, to be paid ; being higher in proportion as the security is imperfect, and the risk greater. Money is lent on the mortgage of real property ; on the pledge of movable articles of value ; on the faith of governments and public bodies ; or, on the personal security of individuals. In



the two former instances, the security is complete, and the demand for interest is simply for the loss of profit which the capital would have yielded to the lender during the time, had it been retained and employed by himself. In the two latter instances, the security is incomplete, and to this demand for interest must be added an indemnification for the risk. The comparative risk or safety in loans on personal security, consists chiefly in three circumstances. 1. The hazard or safety of the occupation in which the capital is to be embarked. 2. The personal ability and character of the borrower. 3. The character of the government of the country wherein he resides. The degree of risk in particular cases is varied by a multitude of circumstances, beginning from next to nothing and advancing to nearly a certainty of loss, and must be estimated in every case by the judgment of the lender, with reference to its peculiar circumstances. It is in the nature of a premium of insurance, to be added to the compensation for the use of the capital. In all questions about the interest of advances, a distinction should be made between these its two component parts; since, without this distinction, there is danger of error.

It is to the circumstance of the risk peculiarly attending the loan of money, especially when only personal security is offered, that the interest is lower, or that money can be more easily procured for a short than for a lengthened period. Merchants' bills which have only a short time to run are readily negotiable; whilst those of long dates will not be looked at. There is, indeed, an advantage when the lender can withdraw his funds at pleasure, or within a short period, and thus be enabled to seize the opportunities which continually present themselves for the more profitable employment of the money. But the chief cause of the facility of borrowing for short periods is, the less probability of failure in the borrower when everything around him seems favourable to him; and while so great changes as might cause such an event are not likely to occur during the short period for which the loan is made. When this period has elapsed, the loan is renewed as readily as it was at first granted, if circumstances and prospects continue equally favourable; but not otherwise. The difference in the interest on the funded

and unfunded debt of this country is a remarkable instance of the value which people affix to a security from loss, as well as of the very low rate of interest at which money may be borrowed for short periods when there is little or no risk. The fluctuations in the price of the public funds during short periods is generally greater than the interest for those periods. There is, however, an equal chance of their rising as of their falling in value; the risk, therefore, under ordinary circumstances, is really equal to nothing; yet we find people satisfied to take exchequer bills at less interest by one-half, in order to be free from this risk. Being to be paid off in full within a short time which is fixed, the fluctuations in their prices is but small, and their value is generally more steady as the time of payment approaches.

The many beneficial uses to which capital is applicable render it of importance that it should be placed in the hands of such persons as are best able to employ it with success. To this end, the risk attending the loan of capital should be lessened as much as possible, both that its owners may have little hesitation in trusting it in other hands, and that their demand of interest may not exceed the employers' means of payment. In order to this, the law regarding loans of money and interest should afford to the lender every reasonable security which the nature of things admits; for in proportion as the security is perfect, will be the number of loans, and the lowness of the rate of interest. A defect in the law checks the loan of money, and raises the rate of interest above what the condition of the country, as to wealth or poverty, requires. Among the barbarous nations which overran the western provinces of the Roman empire, the performance of contracts was for many ages left to the faith of the contracting parties. The courts of justice of their princes seldom intermeddled in it. In Mahomedan countries the taking of interest is even prohibited. The high rate of interest which subsisted in those ancient times, and still subsists in countries where the taking of interest is prohibited, may, perhaps, be partly accounted for from these causes. When the law affords to the lender an uncertain remedy, and much more when it does not at all enforce the performance of contracts, or even prohibits them, it puts all borrowers upon the same footing

with people of doubtful credit in better regulated countries. The uncertainty of recovering his money makes the lender exact the same usurious interest as is usually required from persons of bad credit. When the law prohibits interest altogether, it does not prevent it. Many persons must borrow, and nobody will lend without such a consideration as shall indemnify, not only for what might be made by the use of the money, but for the risk of loss and danger of evading the law in accepting a compensation for that use. This prohibition, accordingly, instead of preventing, has been found to increase, the evils of usury. The debtor being obliged to pay, not only for the use of the money, but for the risk which his creditor runs, is obliged, if one may say so, to insure his creditor from the penalties of usury.

Should a country be possessed of abundance of capital, or rather, should there be invested in each branch of industry as much capital as it could possibly employ, in this case, not only would the produce of that capital afford to its employers a small return in proportion to its quantity, but the rate of interest afforded to its owners would be so low that it would be impossible for any but the most wealthy people to live upon the interest of their money. All persons of small or middling fortunes would be obliged, either to add to this interest the earnings of their own industry, or to superintend themselves the employment of their capital. Almost every man would be engaged in some employment. In Holland, nearly every man is in business. Necessity makes it usual for most men to be so, and custom establishes it as the fashion. The effect of this custom must be to approximate to each other the rate of profits and interest: without raising interest, it must lower profits. Capital on the whole is neither greater nor less in consequence, and its produce must remain the same; but the number of employers of capital is increased, and the produce of industry on the whole augmented. Yet, while the quantity of commodities produced is increased by the greater number of persons engaged in business, who would under other circumstances have retired from it and remained unemployed, the competition amongst the masters is much greater, and the rewards of their particular departments of industry must be diminished. Thus, when interest and profits decline,

commodities of all kinds become more plentiful ; competition amongst traders is increased, and everything is rendered cheaper. It is true, when capital is very abundant, there are more rich persons who are able to live unemployed on the interest of their money, though at a low rate, than when capital is scarce and a country poor. But then the production of the capitals of these rich persons makes up for the loss of their personal industry, and even exceeds it ; for their property in most cases produces more than their industry would do without it. On the other hand, when capital becomes scarce, commodities of all kinds are more scantily furnished and more difficult to obtain, both from a falling off in production, occasioned by an inadequate supply of capital, and from the increased rate of profits and interest.

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The circumstances which determine the portion of the produce which goes to the landlord have already been spoken of. We have seen that his rent depends on the consumption of the people ; that is, on their number and their power of production. It is increased with an increase of capital ; but this increase of rent is an advantage he gains by a diminution in the profits of the capitalist, and not to the detriment of the labourer. His rent cannot increase except through a larger consumption by the people, either from an addition to their numbers, or from an improvement in their condition. The circumstances which affect the portion of the produce which goes to the capitalist have also been spoken of. This portion we find is regulated by the return obtained from the least productive occupations of capital, the profitable or unprofitable nature of which depends on the scarcity or abundance of capital in relation to the employment for it. Hence, the portions of two out of three of the parties concerned in industry being determined, the remainder, or the portion which goes to the labourer, is determined likewise ; and it may seem unnecessary to extend our observations further on the distribution of the produce of industry. But although our subject might be thought complete if it were terminated here, yet the circumstances which affect the rewards

of labour, and so determine the condition of the great body of the population, bear so closely on all the dearest interests of society, that they are, in consequence, worthy of the most deliberate examination. They will, therefore, be followed out at length, as though they had not already been in effect determined by the determination of rent and profits.

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### CHAPTER III.

#### ON THE REWARDS OF LABOUR.

WE have seen that there are no means by which human subsistence can be procured, and those objects acquired which minister to our wants and wishes, except through the intervention of labour. Almost every product of nature is presented to us in a more or less rude and unfashioned state; and in every article labour, in a greater or less degree, is required before it can contribute to the satisfaction of our wants.

We have further remarked that, in performing labour, there must almost always be either land, or some natural product that is procured from the surface or the bowels of the earth, on which to bestow it. Again, besides this, labour must in general be assisted by appropriate tools, implements, machinery, buildings, workshops, and premises adapted in each separate branch to the particular kind of work to be performed. There must also be a store of subsistence got together to support the person while engaged in labour. Both the land, and these objects of capital, usually belong, not to the man who does the work, but to some other person or persons.

In that primeval state of poverty and barbarism which preceded the appropriation of land, and the accumulation of stock, when the labourer had neither landlord nor master to share the produce of industry with him, the rewards of labour depended on nothing but its productiveness; and every improvement in the productive powers of labour went directly to augment its

rewards. In such a state of society, there being no other party concerned in production, there was no need of an inquiry as to the share of the labourer, when the whole produce was his own. But this state could not last beyond the first introduction of the appropriation of land, and the accumulation of capital in other hands than those which did the work. It was at an end long before the most considerable improvements in the productive powers of labour were made.

As soon as the land, together with all the vegetable and mineral substances which are on or below its surface, becomes private property, the landlord demands a share of almost all the produce which can either be raised or gathered from it. His rent makes the first deduction from the gross produce of the industry that is employed upon the land, or on the natural products which the earth affords.

The workman is, in general, too poor to furnish all those articles of capital which are required to give his labour its proper effect, and too necessitous to wait for payment until the commodity on which he works is fully completed, sold, and payment obtained: he must be paid in advance as the work proceeds. When these articles of capital, and money to make this payment, have been accumulated, and are furnished by another person, this person requires in return a share of the produce of that industry which he so helps to render effective. And it is necessary to give him this share or profit; for without it, he would have no inducement to abstain from the enjoyment which the immediate expenditure of his money for his own use would afford, and in place of it, to take the trouble and risk of advancing his capital in productive occupation. This profit makes a second deduction from the gross produce of industry. Thus, although the labourer seems to produce everything by his toil, yet as the co-operation of land and capital are essential to production, he cannot claim all that his labour creates; the landlord and capitalist have an equal right with himself to participate in the joint produce, and he must submit to receive only a share with them.

Sometimes both the land and capital belong to the person who labours. In such case, he combines in his own person the distinct characters of landlord, capitalist, and labourer, and is subject to no deduction, but retains the whole gross produce

which his industry creates. In the generality of instances, however, the land, the capital, and labour, which conjoin in the production of the article, are furnished by different persons. The inquiry now is as to the share of the gross produce which is acquired *in the character of labourer*, distinct from that which may fall to the lot of a person in quality of landlord or capitalist, when one or both of these characters are united to that of labourer in the same individual.

The rewards which labour acquires must be considered in two points of view. First, as the rewards acquired by labour in the aggregate, comprising every kind and description of labour; and secondly, as the rewards acquired by labour distinguished into its separate kinds.

In the first place, we regard the gross produce acquired by labour, as one of the three divisions concerned in industry, in contradistinction to what falls to the shares of land and capital. In this point of view, looking at labour as a whole, we have no need to regard any exchange of products. Their value, consequently, is matter of no moment; and considering this gross produce, we contemplate only its magnitude, its excellence, and its adaptation to the wants of the consumers; since it is on these qualities alone that the condition of the labourer depends. Whatever augments that magnitude, and heightens that excellence or adaptation, increases the rewards of labour in the aggregate.

In the second place, viewing labour in detail, and considering how the gross produce obtained by labour in the aggregate is distributed amongst the several trades or classes of workmen which make up the aggregate of producing power, the products they create must be considered as subjects of exchange; and their value, consequently, forms an important characteristic, as bearing, though not on public, yet on particular interests. Considering labour in this point of view, and that the articles created are not, for the most part, intended to be consumed by the particular producers, but to be sold, and the money they fetch laid out in the purchase of other things, it is not enough that the quantity of the articles created by any particular class be greater, and their quality better, to affirm that the rewards of this class are increased. Whether or not these rewards be greater or less will depend on the *value* of the articles produced, or the quantity of

other things which they will procure in exchange ; and not on the quantity or goodness of the things themselves. If the quantity or quality of the goods produced by any workman be by any means increased or improved, the rewards of labour in the aggregate will, no doubt, be by so much augmented ; but if the exchangeable value of the larger quantity of goods be not higher than that of the smaller previous quantity produced, the condition of the workman himself will not be superior to what it was before, except so far as he is himself a consumer of the goods he produces. It sometimes happens, indeed, that the greater quantity of articles brought to market causes a glut of them, and renders the value of the whole larger quantity even less than that of the smaller previous quantity. In such case, the workman, notwithstanding the exertion of greater industry, or the acquisition of greater skill or capital, and notwithstanding that he has contributed to augment the store belonging to labour as a whole, and to improve the circumstances of every other consumer, finds that his own condition has become worse.

While, therefore, the same circumstances may occasion such opposite effects to the whole labour of every kind by which our supply is obtained, and to particular classes comprised in that whole, we cannot overlook the distinction which subsists between them. Yet, in considering the wages of labour, this distinction of labour in the aggregate, and labour in detail, has been hitherto passed over. It would be far from the truth to infer that, because some particular classes of labourers are ill paid, the rewards of labour on the whole are scanty. The low pay of these classes may contribute in part to the higher rewards of other classes of workmen ; and on the whole the wages may be ample. In forming an estimate of the remuneration of labour it is necessary to take that of every class of workmen into account. The labour of the master may at one time be well remunerated, while his servants' wages are low. The merchant may obtain large profits at a time when the gains of the manufacturers are small. Of the industry which furnishes our bread, the farm-labourer may be poorly paid, but the servants of the miller and baker may be better recompensed. Thus the rewards which labour in the aggregate acquires being



essentially different from those of any particular class of labour, we cannot determine on the former without reference to what is procured by all the different classes whose joint labours compose that whole, nor on the latter except by reference to its own peculiar circumstances.

It is evident, that the condition of the labourer does not wholly depend on his *money* wages, or the amount of silver or gold coin, or paper, which he receives, but it consists in the command which these give him over the necessaries and conveniences of life. Neither does his condition entirely depend on the *share* or *proportion* which, in the distribution of the produce of industry amongst the respective producers—the landlord, capitalist, and himself, he is enabled to retain in recompence for the exertion of his faculties of mind and body. His circumstances are fixed by what he acquires, or the *quantity and quality of the things* contained in that share. If the whole produce of industry be scanty, the labourer cannot expect to be well off, although the *share* of the produce which he acquires may be large in relation to the shares which fall to the other two parties. But although it cannot be affirmed, as a universal proposition, that the condition of the labourer depends on the *share* or *proportion* of the produce of industry which he receives, yet, under general circumstances, his condition is almost wholly determined by that *proportion*; and in discussing the subject before us, it is perhaps more convenient to consider wages as high or low according as the *share* or *proportion* acquired by the labourer is large or small, without reference to the actual contents of the share. It is in this light, then, that high or low wages will be considered on the present occasion.

I shall treat first of the rewards of labour in the aggregate.

## SECTION I.

### *On the Rewards of Labour as a Whole.*

THE rewards of labour in the aggregate depend on three circumstances. First, and chiefly, on the productiveness of in-

dustry,—that is, the largeness and excellence of the produce it creates. Secondly, on the relative magnitude of the shares which, in the distribution of the gross produce, fall to the other two parties concerned in production—the landlords and capitalists, which form deductions from the gross produce of industry under the names of rent and profits. Thirdly, the produce, although the same in quantity and excellence, will, notwithstanding, contribute more to the satisfaction of the labourers, and others, who consume it, according as industry is applied in the several branches which demand it in those proportions to each other which most exactly correspond with the wants of the consumers, so as not to produce a glut of some articles with a scanty supply of others, but those in greatest abundance which are most in request, and all in that proportion to each other in which they are demanded.

The first and main source whence an augmentation in the rewards of labour must be sought is; an increase in the productiveness of industry. As labour is the only means by which our supplies are acquired, it is evident, that if labour be unproductive some class must suffer. On the other hand, if labour be highly productive, it is equally evident that some class must gain therefrom, and the share of one or other of the parties concerned in production be increased. The probability is, that the more there is to divide, the larger will be the share of each. The fact is, the condition of the labourer is improved by everything which facilitates production and abridges labour, whether in appropriative, productive, or distributive industry;—by every improvement in cultivation or machinery; by every shorter process in the arts; by every extension in the application of the mechanical powers of wind, water, or steam: and it is to such that we must look as the grand sources whence an amelioration of his condition may proceed. As proprietor of labour, he is more deeply interested than any one else in its effectiveness. When, through discoveries and improvements, the labour of the acquisition of any commodity, or of its conveyance to the consumer, is lessened, it is the labourer who reaps the advantage in the long run: it is but a small portion which goes to the landlord, and still less which falls to the share of the capitalist.

Yet the very opposite to this is the generally received opinion, and it is contended, that an increased productiveness of industry does not permanently benefit the labourer in any material degree. Mr. Ricardo says, "If the shoes and clothing of the labourer could, by improvements in machinery, be produced by one-fourth of the labour now necessary to their production, they would probably fall 75 per cent. ; but so far is it from being true, that the labourer would thereby be enabled permanently to consume four coats, or four pair of shoes, instead of one, that it is probable his wages would in no long time be adjusted by the effects of competition, and the stimulus to population, to the new value of the necessaries on which they were expended. If these improvements extended to all the objects of the labourer's consumption, we should find him probably at the end of a very few years, in possession of only a small, if any, addition to his enjoyments, although the exchangeable value of those commodities, compared with any other commodity, in the manufacture of which no such improvement was made, had sustained a very considerable reduction ; and though they were the produce of a very considerably diminished quantity of labour." \*

It is affirmed, that wages depend on the relation of the supply of labour to the demand. This assertion continues to be repeated to the present hour. In the latest work which we have on this subject, it is stated, that "The immediate cause which determines the rate of wages, is the proportion existing between the supply of labour and the demand. But this proportion itself depends, on the one hand, on the productiveness of those branches of industry by which are raised the necessaries of life ; on the other, upon the style of living rendered necessary by the nature of the climate, or considered by opinion as necessary to the existence of the labouring population. Consequently, the productiveness of the above branches of industry, the nature of the climate, and the state of opinion, are the ultimate causes which regulate the rate of wages." Again, it is asserted, that "The greater in any country

\* Principles of Polit. Econ. ch. 1. s. 1.

the amount of funds" (that is capital) "set apart for the employment of labour, the greater the demand."\*

Without disputing, but on the contrary fully admitting, that wages are determined by the proportion between the supply of labour and the demand, when applied to any and to every single class or description of workmen, as far as their wages bear a relation to other wages, it is still impossible to admit the truth of this position when applied to labour in the aggregate. In this view, supply and demand do not apply to labour. When labour is sufficiently skilled, properly distributed in the different branches of industry in the ratio in which the objects they furnish are in request, and offered at such moderate prices as do not exceed the means of purchasers taking off the *whole quantity* offered, no want of employment can exist. Under such circumstances, it is contrary to the nature of things that there should be an excess in the supply or a deficiency in the demand for labour, while humanity is subject to wants, and human appetites are insatiable. What demands labour, but labour itself? To create a greater demand for one kind of labour, it is only necessary to furnish a greater supply of another kind; and the means of supporting labour are augmented with every additional workman. But if labour of one kind create a demand for labour of another kind, and by an increase in the demand raise the wages of the labour so demanded, they who create the demand must pay these higher wages, and thus their situation must be lowered in a corresponding measure as the other is raised: so that labour on the whole gains nothing by such increased demand; neither, on the other hand, can it suffer through the want of it.

There is a difference between the action of supply and demand on labour and on other things. When goods are demanded, though their price affects somewhat the extent of the sale, yet if high prices are required, the extent is not essentially lessened thereby. Again, when low prices are offered, the quantity which sells is not greatly increased. But when productive labour is demanded, such demand is essentially dependent on price. The manufacturer cannot produce and bring to

\* Distribution of Wealth, by George Ramsay, B. M., 1836, p. 86.

market his goods, unless wages be low enough to yield him a profit on the business. If wages exceed this, his demand for labour at such price is at an end; while, if wages are so low as to yield a liberal profit on production, there is never any want of demand for labour at that price, nor ever funds insufficient to employ it. No sale of goods can extend beyond the means of purchase which the revenues of the consumers afford; but with productive labour it is different. If the master's capital be not enough to put on all the hands which can be had, he borrows additional capital of others; he obtains credit, and sells his goods for cash instead of on trust; making a quicker return of his money: thus capital is made to go further, when a profit can be got by it, and admits of an expansion; which the revenues of consumers do not. On the other side, in the supply of labour, there is a difference between labour and goods. When the quantity of any article in the market is in excess, the master cannot greatly lower its price; because the cost of production has been nearly equal to that price, and he would sustain a loss by any material reduction. Instead, then, of making a sacrifice of price sufficiently ample to take off the whole quantity, he holds back, offering but a small reduction; a large quantity in consequence remains unsold, and a glut ensues. Thus the demand for labour and materials for future production falls short, and after a time their prices decline, so as to allow business again to proceed without loss to the master. But when the supply of any particular kind of labour is in excess, no real impediment exists to such an immediate reduction of its wages as is sufficient to dispose of the whole quantity. Unlike the master, the workman can offer any necessary reduction of wages without actual loss; since those he may acquire through full employment, though at a low rate, would be better than standing still. Thus, in these various ways, supply and demand do not operate on labour in that determinate manner in which they act on commodities; both the capital to employ it expanding, on one side, and wages, on the other, accommodating themselves, so as to afford employment for all the labour to be disposed of, without that absolute dependence on price which takes place in other instances.

That the labourer is the real party benefited by an increased

productiveness of industry will, perhaps, appear if we consider his case in detail.

Take, for example, an agricultural labourer renting and cultivating on his own account, and with his own hands, a plot of ground; with borrowed capital, for which he pays interest. Now suppose at the year's end, after deducting the rent and interest, he have a net produce, as the earnings of his labour for the year, of ten quarters of corn, and let this equal the average earnings of common labour for a year. Suppose, again, that in the succeeding year, through an improvement in husbandry, or the invention of more efficient implements, this man increase his net produce to twenty quarters. In such case, these twenty quarters must be wholly his own; and the wages of agricultural labour will rise to twenty quarters, or their equivalent. Since high rents accrue through a scarcity of land, it is plain, that rent cannot rise when productiveness is doubled, and when one-half only of the quantity of land in tillage would be sufficient to maintain the population. Neither is it possible that interest or profits can rise, for no greater quantity of capital is wanted than before: indeed, less might suffice; for tillage need not be carried to the same extent. As, then, neither of the other two parties concerned in production—the landlord and capitalist, can insist on a share of this greater productiveness, the whole increase of necessity belongs to the labourer; and he acquires twenty quarters of corn for his year's work, instead of ten. But although, in such case, the wages of agricultural labour would become equivalent to double the quantity of corn, we must not suppose that the labourer would be twice as well off as before. If all his wants were supplied with corn, or if all other branches of industry were to become simultaneously doubly productive, he would then be twice as well off. But as this is not the case, and the greater part of the corn must be sold to purchase other things, he will only be benefited so far as he is a consumer of corn. Through the competition amongst labourers to procure the most beneficial employments, the husbandman must consent to share his good fortune with others, and to put them on a par with himself; for unless he did this, they would give up their occupations, and turn to agriculture. In exchanging the

surplus quantity of corn beyond what is wanted for his own use, for other commodities, he must give more corn than before. To the clothier, for instance, in exchanging corn for clothing, he must give as much as will place the clothier in as good circumstances as himself; and so for every other article he has occasion to purchase. Thus, although he have twenty quarters of corn for his labour, instead of ten, it is but a small part of the increase that will be left to himself; since he is obliged to benefit the circumstances of every other labourer with whom he deals. He must, however, still have a greater quantity left than formerly. We suppose his circumstances before the greater productiveness took place were equal to other labourers. His circumstances will still be equal to theirs in the improved condition to which they are raised. He is not required to impoverish himself so as to be worse than they, for, if such were the case, he would abandon agriculture, and betake to some one of their employments. Thus it appears, that the greater productiveness of industry, though it were confined to one class of labourers only, extends its beneficial consequences to every other labourer who consumes its produce, or who has it in his power to come into competition with that class. But the benefit falls wholly to the share of labour; for it is labour alone that can come into the competition. Land and capital cannot participate in it; and as they are not competent to come into competition with labour, they cannot share in its rewards.

In this example to exhibit the effect of an increase in the productiveness of industry on the condition of the labourer, agriculture has been mentioned. It has been chosen, because it is an occupation of great magnitude, and its products of universal demand. But the same results follow from augmented productiveness in every other branch of industry; as might be plainly shown, if it were necessary, by the extension to these of a similar process of reasoning.

An increased productiveness of industry, however, only benefits the labourer whose industry becomes more effective in proportion as he consumes the goods he produces. If he do not consume this kind of goods, it is probable that no advantage

results to him: Improvements in husbandry benefit the agricultural labourer, because he partakes of its produce; so likewise do improvements in the coarser branches of manufacture. But improvements in the fabrication of silk goods seldom benefit the poor weaver of them, since he does not wear silk. It may happen even that an increased efficiency in his labour may be to his prejudice. The greater productiveness of a particular class, when unattended with increased productiveness in other classes, causes a change in the relation of the supply of the article to the demand for it, sometimes makes the supply superabundant, the price to fall in an excessive degree, and while an advantage accrues thereby to the consumer, the producer, perhaps, unless he be also a consumer, finds that, instead of participating in the advantage he confers on others, his own circumstances are deteriorated. Were the production of all the other classes of industry simultaneously and proportionately increased, the supply and demand would both be larger, but their ratio to each other would remain unchanged, prices would continue the same, and every class be equally benefited. The labourer has but small interest in the effectiveness of that labour by which pictures, statues, trinkets, and other works of taste and rarity are created. Unpopular as the assertion may be, it is nevertheless true, that the encouragement of the fine arts, for which princes and nobles have been so much lauded, has conferred smaller benefits on the lower classes than is generally imagined. It is the productiveness of that labour by which the food, clothing, fuel, and lodging of these classes is obtained, that they are most concerned in, and by the patronage of which they would be most served. Thus increased productiveness tends to the advantage of the consumer.

In the business of industry, labour must be considered as the active agent,—capital and land as the passive instruments which it employs in production. Labour is the party through whose direct agency the increase is effected. The landlord contributes to production the agency of land. His share of the produce is fixed, through competition, at all that exceeds the produce which is afforded by the worst land that, under existing circumstances, admits of cultivation. Through the same competition,



the share of the capitalist is determined by the productiveness of that portion of capital which assists industry the least, and adds the least quantity of produce. The amount of deductions for rent and profits depends, not on the productiveness of the general amount of land and capital, but on the productiveness of the last employed portions, which are determined by the ratio of the supply to the demand for them. Increased efficiency of labour, it is true, has some tendency to extend cultivation, and thus to raise the demand for land, but this is only in a small degree. It has no tendency to render capital more scarce, and therefore it can hardly at all increase the deductions from the gross produce of industry for rent and profits. Thus the shares or proportions of two out of three of the parties being determined, the remainder, or the share of the third, is determined likewise. The price of the hire of these two must depend, not only on their serviceableness, but on the competition of the market; that is, the relation which the supply bears to the demand; which relation varies from time to time, the supply being sometimes in excess, and sometimes deficient. But with respect to labour, though in its several classes one class is hired by another, and by the landlords and capitalists in the expenditure of their revenues, yet when taken as a whole, it is not hired; there is no competition to affect its rewards, and no excess in the supply of labour over the demand for its productions, every labourer creating a demand equal to the supply which he furnishes, and consuming as much as he produces. Under such circumstances, its rewards depend solely, after deduction for hire of land and capital, on its own productiveness. Unless it be by greater productiveness, labour cannot acquire a larger amount of produce. It cannot take from the shares of either of the other two parties, because their shares are regulated by circumstances over which it has no control. The labourer cannot, by any exertions of his own, alter the circumstances under which this competition takes place, so as to turn it more favourably for himself. He cannot, by any combination, stand out against land and capital, and, by doing without them, compel their owners to abate in their demands; for he cannot exert his industry with effect without their assistance. The monopoly

in the command over the first necessities of existence which the landlord possesses, is much too strong to be overset or even shaken by the labourer. The profits of the capitalist can only be lowered by an increase of capital, or a decrease of labourers ; whereby the competition may be turned more favourably for himself. If the former cannot be done, the latter alternative would in other ways turn to his prejudice, instead of to his advantage.

Since, then, in heightening the efficiency of labour, but little or no greater deductions from the gross produce can take place, the whole, or nearly the whole, addition to the produce created must fall to the share of labour : not, indeed, always to those particular classes whose labour has become more effective, but to labour in general, and comprising every class. "The productiveness of an English labourer is perhaps twice as great as that of a Frenchman, four times that of a Russian, and six or eight times that of a Hindoo." It is this superior productiveness alone of the labour of our working classes which has raised their condition above those of other countries ; and this in spite of the inferiority of our soil and climate.

After the productiveness of labour, the next in importance of the circumstances on which the rewards of labour depend, is the relative magnitude of the shares which, in the distribution of the gross produce of industry, fall to the other two parties concerned in production—the landlords and capitalists, and which form deductions from that gross produce, under the names of rent and profits.

In this division between the parties, whatever reduces the share of any one of them, unless at the same time the amount of the produce is lessened, must increase the share of one or both of the other two parties. Consequently, the remuneration of labour depends in part on the rent which is paid to the landlord. This remuneration is high in proportion as the deduction for rent is small, and low in proportion as such deduction is large. In a country where there is a great deal of rich land, with but a thin population to be supported on its produce, the productiveness of that portion of its industry which is employed in agriculture will be high, while the rent will be low, and, con-

sequently, *ceteris paribus*, the reward of labour greater than in a country where there is but little good land, with a dense population to be fed on its produce. An increase of fertile soil, which should reduce the monopoly price that is paid for its use, could not but be highly advantageous to the labourer. To enlarge the quantity of land in a country is only in a few cases possible. But similar effects are produced by augmenting the produce of the same land; whether through improvements in tillage, or from an additional quantity of capital applicable to cultivation; provided the cost of raising such produce be not increased. There is no difference in the effects resulting from an augmented quantity of agricultural produce, whether it be raised from the same land, or from a larger quantity of land; nor, again, from land lying within the boundaries of the national territories, or from land lying beyond those boundaries. It is the cost of procuring corn that constitutes the essential difference as regards the rewards of labour. Increased facilities in the transport of corn, whether the produce of domestic or foreign industry, contribute to break down in some measure the pressure of the barrier of the monopoly of land which the landowner possesses. These increased facilities of conveyance may arise from improvements in navigation, the construction of canals and railroads, or from improved roads and carriages; as, likewise, where they exist, from the removal of legislative restraints and duties on the transport or importation of corn. Such increased facilities have precisely the same effects as would follow from an enlargement of the national domain, an addition to its cultivable soil, or an improvement in its fertility. They may for a time prove injurious to the proprietors of land, but are always highly beneficial both to the labourer and to the capitalist; and eventually to the landowner himself.

Again, the rewards of labour depend in part upon the rate of the profits of capital: they are high in proportion as profits are low; and low in proportion as profits are high. The rate of profits depends on the quantity of capital in relation to the population, or rather to the employment of capital. An increase of population without a proportionate increase of capital and of cultivable land, cannot but render capital and land comparative-

ly scarce, raise the shares of the produce which go for rents and profits, and, consequently, diminish the share which remains for labour. On the other hand, everything which alters the ratio of the supply of capital to the demand, and which, without cutting off its sources of employment, renders that supply more ample, operates favourably on the condition of the labourer.

In this light, we cannot but consider all those expedients which have been adopted for economizing capital, as having a direct tendency to raise the rewards of labour. Of this kind are the substitution of paper for coined money, the use of bills of exchange, the banking system; but above all, the division and subdivision of employment, whereby, not only is the manual dexterity of the workman heightened, but capital is economized and rendered constantly productive, at the same time that its profits are lowered. Similarly beneficial to the labourer are all those circumstances which tend to the establishment of peace, order, and justice, and thus lead to the accumulation of capital, or which invite it to come into a country, or induce its stay, from the freedom and security which attend its employment. On the other hand, every destruction or loss of property, whether from war, accident, fraud, or violence, though the labourer may appear to be exempt from suffering, still tends to raise the rate of profit, and thus to increase the deduction from his earnings.

That a high rate of interest presses severely on the labourer, may be presumed from the fact that, with the exception of newly-settled countries, in which the productiveness of agricultural industry, from being applied to the cultivation of none but the most prolific soils, compensates for everything else, the condition of the people in different countries and at different times has uniformly been better as interest has been lower, and worse as interest has increased. It is true, the productiveness of industry has been found to be correspondingly great as interest was low, and the reverse; and other causes may, likewise, have simultaneously operated on the welfare or poverty of the labourer. But, when we find on examination that as the rate of profit was high, the condition of the labourer was depressed, and, on the contrary, that as profits were low, the labourer was better off, it

sequently, *ceteris paribus*, the reward of labour greater than in a country where there is but little good land, with a dense population to be fed on its produce. An increase of fertile soil, which should reduce the monopoly price that is paid for its use, could not but be highly advantageous to the labourer. To enlarge the quantity of land in a country is only in a few cases possible. But similar effects are produced by augmenting the produce of the same land; whether through improvements in tillage, or from an additional quantity of capital applicable to cultivation; provided the cost of raising such produce be not increased. There is no difference in the effects resulting from an augmented quantity of agricultural produce, whether it be raised from the same land, or from a larger quantity of land; nor, again, from land lying within the boundaries of the national territories, or from land lying beyond those boundaries. It is the cost of procuring corn that constitutes the essential difference as regards the rewards of labour. Increased facilities in the transport of corn, whether the produce of domestic or foreign industry, contribute to break down in some measure the pressure of the barrier of the monopoly of land which the landowner possesses. These increased facilities of conveyance may arise from improvements in navigation, the construction of canals and railroads, or from improved roads and carriages; as, likewise, where they exist, from the removal of legislative restraints and duties on the transport or importation of corn. Such increased facilities have precisely the same effects as would follow from an enlargement of the national domain, an addition to its cultivable soil, or an improvement in its fertility. They may for a time prove injurious to the proprietors of land, but are always highly beneficial both to the labourer and to the capitalist; and eventually to the landowner himself.

Again, the rewards of labour depend in part upon the rate of the profits of capital: they are high in proportion as profits are low; and low in proportion as profits are high. The rate of profits depends on the quantity of capital employed, on the population, or rather to the employment of the population without a proportionate increase of cultivable land, cannot but be high.

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affords presumptive evidence of the truth of our position, that a high rate of interest is injurious to the workman.

The condition of the poor in England, in the times of Henry VIII., Elizabeth, and James I., must be admitted to have been very much below what it is at present, and has been during the last century. Their food, clothing, and lodging, are now all of much superior kinds to what they were at that time. Famines, then so frequent, are now known to us only as matter of history. The rate of interest was then ten per cent. : it is now four, or even less. In Scotland, until lately, interest was somewhat higher than in England ; while wages were lower, and the aspect of the poor, in passing from one country to the other, showed that they were better fed and clothed in the latter than in the former. In Ireland, interest is decidedly higher than in England ; while the wretched condition of the poor is proverbial. In France, interest and profits are higher than in any part of Great Britain, and the condition of her poor until lately was much worse. With the fall in the rate of interest in that country since the peace, the condition of its poor has become ameliorated. In Holland, it is said the rate of interest is lower, while the condition of her poor is better than in most of the neighbouring countries. In India and China the difference is striking. Interest in these countries is said to be twelve per cent. ; while the wages of labour in Hindostan are about one-ninth part, in silver, of what they are in England.

With regard to the means by which the rewards of labour may be increased, when, without a falling off in production, a diminution happens in the share of the produce which goes to the landlord and capitalist, the observations already offered under the several heads of rent and profits apply in great measure here, and therefore need not be repeated.

The third circumstance on which the rewards of labour depend, is, the exactness with which industry is distributed in the different departments according to the ratio of our wants and wishes, so as to produce most abundantly those articles which are most in request. It is true, neither the quantity nor the quality of the productions of labour is at all affected by the circumstance now mentioned ; but the articles acquired will con-

duce in a higher degree to the satisfaction of our wants and wishes in proportion as these articles are more in request ; and thus the rewards of labour will be better according as industry is distributed more in this way. To produce those things which are *most* wanted ; or rather, to produce all things in those exact proportions in which they *are* wanted, having regard to the cost of their acquisition ; is the object to be aimed at. Both the supply of the products of the different branches of industry, and the objects which our wants and wishes call for, are in a constant state of fluctuation. With this double fluctuation, it is no wonder that industry cannot always adjust its operations to meet them. But according as the supply can be made more exactly to suit, and more steadily and closely to follow the changes of demand, it will contribute in a higher degree to the enjoyment of life. On the other hand, when industry can but ill be made to adapt itself, and but slowly to follow towards a proper adjustment, labour will be misapplied. However great the quantity of industry exerted, however large the supply of its productions, and excellent their quality, if they be not such as happen to be in request at the time by the parties to whose wants they minister, or if the supply of some articles exceed that request, they will possess but a small value ; they will contribute comparatively little to comfort, and when these productions are distributed as the rewards of labour, this is equivalent to a low reward. Thus the custom of apprenticeship, with all other impediments raised in the way of the transfer of labour from one occupation to another, and more especially the institution of *caste*, have all a direct tendency to depress the condition of the labourers.

When an article is in request, its acquisition always presents an employment which affords a profitable return to the labour and capital occupied in the acquisition. It is to the public interest that the several individuals engaged in industry—the husbandmen, artisans, manufacturers, and dealers, should all respectively occupy themselves in those particular employments which yield the highest remuneration both to the labour and the capital embarked in them. It is the productions of these particular employments which are in the highest intensity of demand, in proportion to their cost. When industry is free,



the private interest of individuals tends constantly, though slowly, as opportunities offer and their means allow, to lead them to engage in the highest remunerated branches; and this without any external interference. If just views of the general good could sanction any municipal regulations or restraints on industry, they would be such as should have for their object to seek out these highest paid branches; and such as by affording facilities, would induce a greater number of persons to embark in them. These branches must evidently be different at different times; and continually fluctuating, as competition alters the rate of their remuneration. But so far from this having been the object of municipal regulations, it has been the very reverse. Communities, instead of looking to the measures which promote the universal good, have lent their sanction to the advancement of private interests, or the interests of distinct classes, in opposition to the public interest; they have lent their power to *restrain* competition, instead of to *increase* it; rather to *raise* wages and profits than to *reduce* them; and municipal regulations have been applied uninterruptedly for a long course of years to the same branches, when, if applied at all, they ought from time to time to have been changed, as circumstances became changed, and as their intended effects had been brought about.

The condition and happiness of all classes of the people of a country, is very much influenced by the state either of advancement or decline in their wealth and intelligence. In a country fully peopled in proportion to what its territory could maintain with its existing powers of industry, it is not enough to constitute a fortunate condition, that its riches should be very great, and the productive powers of its industry possess a high degree of efficiency. Besides these, to insure a lasting prosperity to such a country, it is necessary, that its property and the productiveness of its industry be in a constant state of advancement. The wealth and revenue of its inhabitants may be of great magnitude, yet if they have continued for many centuries of the same, or very nearly the same, magnitude, the increase of population which, under favourable circumstances, is always going on, will have caused the whole of its fertile land to be fully cultivated, while no other land remains for tillage but

that of an inferior quality; and unless this increase of population be accompanied with a corresponding increase of capital and skill in employing it, its capital will have become inadequate to the wants of its larger population, and all the known sources of employment become exhausted, which its stationary knowledge is enabled to point out; though an advancing knowledge might discover new sources, and so afford enlarged employment and subsistence for the people. It is necessary as population becomes greater, that capital to assist the labours of the increase of workmen, and intelligence to open new sources of production, as the old become fully occupied, and labour yields a less return, should increase, at least commensurately with the augmentation of population. With its capital at a stand, and its population augmenting, the people of such a country must become poorer, amongst whom this capital is to be divided, to each of whom, consequently, a smaller and smaller portion must be allotted; while its working classes multiplying and increasing the competition to procure land and capital for employment, would reduce the rewards of labour to the lowest scale consistent with humanity.

China has long been one of the most fertile, best cultivated, most industrious, and most populous of countries. It seems to have long ago acquired that full complement of riches which is consistent with its laws and institutions; and has, probably, been long stationary. But this complement is very inferior to what, with other laws and institutions, and a higher state of knowledge, the nature of its soil, climate, and situation, when compared with those of other countries, might produce. A country which neglects and despises foreign intercourse, which admits the vessels of foreign nations into one or two only of its ports, and refuses to avail itself of the improvements by which other nations have augmented the powers of their industry, while it takes no steps of its own to improve these powers, cannot raise the quantity of subsistence, and carry on the same extent of trade, which it might do under happier circumstances and a more enlightened policy. In a country, too, where, though the rich enjoy a good deal of security, the poor have scarcely any, but are liable, under the pretence of justice, to be

at any time plundered by the inferior mandarins, the quantity of capital employed in its different branches of industry, can never be equal to what the nature and extent of that industry might admit. In every different branch, the oppression of the poor must establish the monopoly of the rich, who, by engrossing the whole trade to themselves, will be able to make large profits, and keep down the circumstances of the people. Twelve *per cent.*, accordingly, is said to be the common interest of money in China, and the ordinary profits of capital must be sufficient to afford this interest. While, as a necessary consequence of such high interest, and of the other circumstances now detailed, the wages of labour are miserably low; the poverty of the lower ranks surpassing that of the most beggarly nations of Europe. If by digging the ground a whole day, the labourer can earn enough to purchase a small quantity of rice in the evening, he is contented. The condition of artificers is, if possible, still worse. Yet this country, though it may stand still, does not seem to go backwards. Its towns are nowhere deserted by their inhabitants. The lands which have once been cultivated, are not neglected. As much labour, therefore, must still be performed, and the labourers, notwithstanding their scanty subsistence, must continue to keep up the usual numbers of their race.

It would be still worse than this in a country where the productive powers of its industry were sensibly decaying; whether from loss of capital, decay of trade, or decline of knowledge and skill in the arts of industry. From the loss of capital, the produce it had formerly assisted to create could no longer be procured; many persons who had been bred to the superior classes would from time to time seek employment among the inferior classes. The inferior classes, not only overstocked with their own workmen, but with the overflowings of the other classes, would find the competition between labour and capital, and between labour and land, turn still more to the disadvantage of labour, so as to reduce its rewards to the most scanty subsistence of the labourer. Famine, mortality, and crime would prevail in that class, and thence extend themselves to those above it, till the number of inhabitants in the country should be

reduced to what could be maintained by the diminished resources that had escaped either the tyranny or calamity which had destroyed the rest.

Hence, it is essential to the happiness of a people that their wealth and intelligence should be progressive. To stand still as regards the amount of capital and extent of knowledge, while the population is increasing, is to go backwards as regards the condition and happiness of the people. For except the powers of industry increase by the acquisition of a larger capital, and greater skill in the industrious arts, the increase of population would reduce the subsistence of the people to a bare sufficiency for their support.

The liberal reward of labour in any country, as it is the necessary effect, so it is the natural symptom of the productiveness of industry, and of an abundance of capital. The continued prosperity and augmentation of population for a series of years, indicates decisively that capital and knowledge have been progressively advancing. The generally scanty maintenance of the labouring poor, on the other hand, is a symptom that the productiveness of those branches of industry on whose produce they are supported is at a stand; and that the worst soils in cultivation are, as regards the existing state of knowledge and capital, too poor to afford more than a scanty subsistence to the labourer; while the starving condition of the poor, usually indicates that things are going backwards.

Having thus considered the circumstances which affect the gross amount of the produce acquired by labour in the aggregate, the distribution of which amongst the several classes of labourers we shall by and by have to consider, it may be worthy of remark, that, if this gross amount acquired by labour in the aggregate be small, there is little chance that any particular class of labourers will obtain a high reward for their exertion: the *relative proportion* which they acquire may be large, and yet its actual amount be small. While, on the other hand, if this gross amount be large, there is a better chance for every class. The poorest as well as the richest workman is interested in the extent of this gross amount, a portion of which in the struggle of competition is to be procured by himself. Hence, the in-

terests of every workman are involved in two sets of circumstances; first, in those which affect the gross produce of labour in the aggregate; and, secondly, in those which determine the share of this gross produce which is allotted to himself: the first is an interest in which his fellow-workmen as well as himself are involved, it is nearly a public interest; the second is private, and peculiar to himself or to his class.

## SECTION II.

### *On the Inequality in the Rewards of different kinds of Labour.*

ON looking at the different rates of payment for labour, or the different gains acquired by it in the several classes of society, we observe a great inequality subsisting between them. Pecuniary wages are everywhere extremely unequal, both in the different departments of labour in the same place or country, and in the same departments in different places and countries. In some departments the labourer acquires an ample, and in others a scanty, recompence for the agency exerted. The professional man will sometimes earn more in a few minutes than the utmost exertion of a common labourer could in a whole week. Again, in different countries, we find in one country a liberal reward of labour commonly obtaining, and the industrious population in a state of comparative comfort, while in other countries, we find a poor reward of labour procured, and the labourer in a state of destitution and misery. The causes of these differences it is now proposed to consider.

Part of the inequality subsisting in the rewards of labour in different employments in the same place is only apparent. This apparent inequality arises from certain circumstances connected with the employments themselves, which, either really, or in common estimation, make up for a small pecuniary gain in some, and counterbalance a great one in others. Thus when taking into account the circumstances which call, in different cases, for different rates of pecuniary payment, the real remuneration of

different classes will be found on examination to be much nearer to a level than might be expected.

Competition is the great instrument by which wages in every *particular* branch of business are determined. I say in every *particular* branch ; because, as has been already observed, a distinction must be made between the effect of competition upon industry as a whole, and its effect upon every distinct branch. While the competition existing among the workmen in every separate employment determines, according as it is more or less active, wages in that employment, at the same that it fixes them at a higher or lower point, it acts in an exactly opposite and commensurate degree, on the rewards of other employments. It has no tendency to increase or lessen the exertion of labour, or affect the amount of its produce ; and as much as, in the exchange of the produce of any particular branch of industry for the produce of other branches, its activity may lessen the rewards of the producers on one side, by so much it increases the rewards of the producers of those things against which such produce is exchanged. Competition, then, as respects industry on the whole, and taking into account every class of labourers, in their double capacity of consumers as well as producers, is nugatory : neither increasing nor diminishing their rewards. But in every separate department of industry, the rewards of labour, or the quantity of the necessaries and conveniences of life which the produce of labour will exchange for, is regulated by the relation of the supply to the demand in the particular department. An increase in the number of workmen in any trade, without a correspondingly greater demand for the articles they produce, necessarily lowers the rate of wages in that trade. On the other hand, a decrease in the number of workmen in a trade unaccompanied by a decreased demand for the articles they produce, must sooner or later raise their wages. Competition has a tendency to establish an equality in the rewards of labour in different employments ; but as it cannot bring about or maintain an exact equality, it causes these rewards constantly to oscillate above and below the point of perfect equality. Men always desire to follow those occupations which yield the best returns, or those which they most esteem, while they as studiously avoid those which yield the

worst; and thus, where they are able to act according to their wishes, their competition lowers the advantages of such occupations as are the best paid, while the withdrawal of their competition from those which are paid the worst, tends to bring both to an equality. If, in the same neighbourhood, there were any employment evidently either more or less advantageous than the rest, so many people would crowd into it in the one case, and so many would desert it in the other, that its advantages would soon return to the level of other employments. This, at least, would be the case as far as the ability of persons to choose and to change their occupations at pleasure would allow, and in a society where things were left to follow their natural course; where there was perfect liberty, and where every man was perfectly free both to choose what occupation he pleased, and to change it as often as he pleased. In such case, every man's interest would prompt him to seek the advantageous, and to shun the disadvantageous, employment. But there is a difficulty in following many occupations, from the want of the requisite skill and knowledge, the time and expense of acquiring these, and the necessity there is in many of them of possessing considerable capital. And there is especially a difficulty in their frequent diversion from one to another, from the necessity of acquiring, besides the requisite skill and knowledge, a peculiar kind of capital suited to the new occupation, and of submitting to the loss of that which is adapted to the occupation that is abandoned. Consequently, though perfect liberty were allowed to every man, it is not every one who has the means of advantageously following the most profitable employment, and of changing his business at pleasure.

Hence, competition in the different employments of labour is operated upon in three distinct ways. First, by the circumstances before alluded to, which, in many cases, make no difference in the whole of the advantages and disadvantages of an employment, but only determine that which consists in *pecuniary* payment. Secondly, by the inability of persons to enter into competition in some employments, and, consequently, determining their competition in one which they would otherwise avoid. And, thirdly, by the municipal regulations which views of policy

have everywhere in Europe, and in many parts of Asia, established, which scarcely, in any instance, leave things at perfect liberty, but direct or restrain industry and competition in different employments.

Thus an inequality is always found to exist in the rate of remuneration of different kinds of labour, after allowance for the circumstances which actually call for different rates. This inequality has an important influence on society, both as regards its wealth and its happiness; and therefore deserves examination, for the purpose of understanding the causes which produce it, and the remedy which is applicable to remove the mischiefs it occasions.

An equal, or equitable, rate of remuneration of labour and of profits in the different branches of industry, proportionate to the several circumstances which really call for a higher rate in some kinds than in others, is of great importance to the public welfare. There are many advantages that would result from such an equality. It would produce a steadiness of employment; the full exertion of the powers of industry; an ample supply of commodities from all; a reciprocity of benefits; and in a high degree contribute to the augmentation of national opulence. If one class of labourers is considerably underpaid, there is a scarcity of employment for it; there is more of the produce of its industry than we have occasion for, and though we purchase the whole because of its low price, the advantage thus gained to some classes is, as regards the general happiness, more than counterbalanced by the suffering which the poverty of the class brings upon it. Besides, the poverty of a class renders it a burthen on the public, and the overpowering temptations of want cause it to be a nursery of crime. On the other hand, if there are too few workmen in some branches of industry, the scanty supply of the articles of their trade, and the exorbitant prices which must in consequence be paid for them, falls hard upon the people at large; depriving them of the means of purchasing, and of the enjoyment that would otherwise be derived from a more abundant supply of those articles. Thus the public is made poor, by the enrichment of particular classes. The demand of exorbitant wages, or an overreaching selfishness, is



not more directly opposed to the liberal morality, the enlarged and active beneficence of Christianity, than it is to enlightened views of policy. Is it not a species of vice, and one which, like every other, brings suffering along with it? We readily admit that it would be better if the wages, which are in some instances depressed, were raised; yet few men consider it desirable, that the wages, which in other instances are unreasonably high, should be lowered; though in fact, lowering the one would be equivalent to raising the other. The public interest, then; demands, and the duty of individuals to promote the good of mankind enjoins, not only that endeavours should be made to raise the condition of those classes which are severely depressed; but, which in effect operates in the same way, to lower the wages of such as are exorbitantly high. The common level of equal benefits to all, regarding only the natural causes which occasion a difference, is the point at which exertions should aim; whether the divergence from it be above or below it; and as much so in one case as in the other.

While the actual remuneration obtained for their labour by workmen of different classes, is dependent on the relation of the demand for the particular kind of labour each performs, to its supply, yet this supply itself is operated upon by several circumstances.

The principal of these, which occasion wages in some employments to be higher or lower than the average rate, have been stated by Adam Smith to be,—

1st, The agreeableness or disagreeableness of the employments themselves;

2ndly, The easiness and cheapness, or the difficulty and expense, of learning them;

3rdly, The constancy or inconstancy of the employments;

4thly, The small or great trust that must be reposed in those who exercise them; and,

5thly, The probability or improbability of success in them.

The agreeableness of an employment may arise from several causes. Such as,—the lightness of the labour to be performed, its healthiness or cleanliness, and the degree of estimation in which it is held. Its disagreeableness will arise from the oppo-

site circumstances,—the severity of the labour, its unhealthiness or dirtiness, the danger attached to it, the disrepute in which it is held. It is obvious that no man would engage in an occupation of the disagreeable kind, unless its wages were higher than in those of the agreeable kind. And according to the influence which these circumstances have in determining persons to follow or not to follow any particular employment, must be its rate of pecuniary payment. But though the rate of money wages paid in different employments is thus found essentially to vary, it cannot thence be concluded that one employment is more advantageous than another; for these circumstances of agreeableness or disagreeableness may make up, or take from, the money wages paid, as much as the deficiency or excess below or above the average rate. If it were not so, the competition to seek the most beneficial employments, would alter the supply of labour, so that one employment should not possess superior advantages over another. The estimate which men form of the value of this agreeableness or disagreeableness, is the only estimate which can be applied, and from which there is no appeal. This value must therefore be equal to the deficiency or excess below or above the average rate of wages, for the reason before stated.

But the principal circumstances which occasion an inequality in the remuneration of labour in different employments are, their comparative facility or difficulty, and the relative expense which must be incurred to acquire the requisite skill and knowledge.

There are several sorts of labour which a man may perform without any, or with but very little, previous instruction, the learning of which is in consequence attended with no expense; and from which the labourer procures wages from the moment he is employed. In such sorts of labour, there is nothing that can check or shut out the competition of any individual possessing the ability to work; the supply of labour is always abundant, and its wages are at the lowest rate. But there is a great number of other occupations that can only be followed by persons who have been previously instructed in them, and which instruction involves an expense in a greater or less degree. The policy of Europe considers the labour of the greater number of mechanics,

artificers, and manufacturers, as skilled labour, of a more nice and delicate nature than common or agricultural labour, though frequently it is quite otherwise. The laws and customs of Europe, therefore, in order to qualify a person for exercising this skilled labour, impose the necessity of an apprenticeship, though with different degrees of rigour in different places. They leave the other kind free and open to everybody. During the long application or probation which in many trades and professions is necessary, the individual earns nothing for himself, whatever work he does belongs to his master. In the mean time, he must, in many cases, be maintained by his friends, and, in almost all, must be clothed by them. Some money, too, is commonly given to the master for teaching him his trade ; all which sometimes absorbs a capital of considerable amount. They who cannot give money, give time, or become bound for more than the usual number of years ; a consideration which, though it is not always advantageous to the master, on account of the usual idleness of the apprentice, is always disadvantageous to the apprentice. The medical practitioner, for example, cannot be qualified to follow his profession, but at the cost of many years of laborious and expensive application and study ; and when the requisite studies are completed, it may be many years before he possess the public confidence sufficiently to procure himself full practice. In estimating the reasonableness of a physician's fee, it would be absurd to reckon only the labour or time he bestows in seeing and prescribing for a patient ; since these are but a small part of the time and labour of which the patient really avails himself. We must take into account all the years of labour that have been spent in fitting him for practice and establishing him in it, and the money which these have cost. He is entitled to compensation, not only for all the labour they have cost him, but for interest on all the capital expended in his studies and subsistence previous to his getting into practice ; and this interest must be higher even than annuity interest, because the capital has been sunk, not merely on his life, but on the continuance of his practice. If it were less interest than has been now stated, capital would cease to be expended in this way, and there would be no medical practitioners. Nor is even this compensation sufficient to keep up the number of

medical practitioners, for some students die before their studies are completed; there are others whose success in their profession never returns the outlay expended in their studies. To keep up the medical class by the amount of capital existing in it, it is necessary that those who succeed should gain as much as is lost by those who fail or die. The whole emoluments of the class ought to be sufficient for the maintenance of the whole class—successful and unsuccessful, and to bring up and educate a sufficient number, (allowing for losses from death during their education,) to replace the number actually existing. With less remuneration than this, the class could not be kept up by its emoluments, but must depend for its continued existence on the aid of capital drawn from other occupations.

It has been thought that the learned professions, as a whole, are not paid higher for their services than other classes of the community, and that their emoluments do not more than replace the capital expended in the requisite studies, and in the maintenance of the individuals in these professions. The author of the "Wealth of Nations" states his belief, that "how extravagant soever the fees of counsellors at law of celebrity may appear, the annual gains of all the counsellors of a large town bear but a very small proportion to their annual expense; so that this profession must, in great part, derive its subsistence from some other independent source of revenue." It is certain that these professions are a constant drain on the capital acquired in other employments. A successful tradesman seldom brings up his son to the business by which his own fortune has been gained; most commonly the son is brought up to some profession, considered more respectable than trade. These professions, it is generally allowed, do not reproduce their own numbers, and would decline in numbers if not kept up by the more prolific classes below them. The question then is, Do these professions furnish to the classes above them, capital equal to that which they draw from the classes beneath them? To this we answer, It is more than probable they do not. But shall it be concluded hence, that the learned professions are worse paid for their services than other classes? It would be contrary to fact to do so. No doubt, the learned professions are not so well paid as

other classes of equal wealth. The higher repute, in comparison with trade or commerce, in which these professions are held, cause their emoluments to fall below those of occupations held in less esteem. But although they are below those of equal, yet they are unquestionably higher than those of much inferior opulence. Contrast the gains of this profession with the wages of common labour, whether in agriculture or manufactures, and it will at once be apparent that, even taken as a body, and with all the circumstances which fairly entitle this profession to a high remuneration, these gains are at a much higher rate than those of the common labourer. Amongst members of their own profession, and also as between classes whose wealth gives them the means of following the law if they choose, no doubt, the gains of lawyers are determined by competition; and we may conclude that taking the whole of the advantages and disadvantages of following this profession into account, there is no greater advantage accruing from following one employment than another. But the fact is, there is no competition existing between these higher classes, and those whose poverty precludes the possibility of their attempting to enter into such competition; and the emoluments of the law are, in consequence, determined by principles wholly irrespective of such competition. Whatever then may be the wages of common labour, whether high or low, can have no effect on the emoluments of the law; since it is out of question that any competition tending to an equality of benefit can exist between them. The circumstances of these emoluments being inadequate to support the members of the profession, without assistance from some other independent source of revenue, cannot show that the rate of remuneration for professional services is lower than that of other classes. All that can thence be inferred is, that it is persons of fortune who follow this profession, and that this rate is not sufficient to support the style of expense which they maintain. If any custom or prejudice could prevail that should render following the plough the occupation of none but the superior orders of society, it would be found that the wages they would earn at the plough would be wholly unequal to maintain them in the rank of gentlemen, in which rank these orders would still con-

time to live, in consequence of their possessing property whereon to support themselves, in addition to the earnings obtained by industry. But it would be absurd from hence to affirm that the wages of the ploughman were unequal to the kind of labour he performed, and lower than those of other classes; when the fact must be, that it would be the pride and extravagance of the ploughman which rendered his wages insufficient for his maintenance.

In all those employments in which a great expense must be incurred before a person can acquire the qualifications necessary to follow them, this expense precludes the competition of all those who are too poor to afford it, and therefore cannot but raise the remuneration of these employments higher than is called for by the mere amount of the outlay of capital. They partake of the nature of monopolies, and their gains are determined upon the same principles. In proportion as they approach to the strictness of a monopoly; that is, in proportion to the magnitude of this outlay, and the number of persons whose competition is, in consequence, shut out, or the few who can come in; so must be the greatness of the rate of remuneration for their services, and this in addition to the annuity interest called for to return the outlay of capital expended. This partial monopoly of the more lucrative occupations will be stricter at any time or place, and the earnings acquired in them relatively higher, in proportion to the depression of labour at that time and place, and, consequently, to the few amongst the working classes who have the means of establishing themselves in occupations calling for a large outlay of money. That somewhat of a monopoly rate of remuneration is actually obtained in those employments in which a great expense must be incurred before an individual can acquire the prescribed qualifications for following them, cannot be doubted, if we consider the conduct which men pursue, governed, as they must be, by the consideration of superior advantage. We never find a father in doubt, whether to expend the capital which he may have at command in qualifying his son for following some trade or profession, or to put that capital out to interest and suffer the son to follow the occupation of common labour. He always considers it more advantageous for the lad to follow some trade or profession, though the capital

expended is altogether lost thereby, in the event of his death or ceasing to follow the occupation. Now a trade or profession is everywhere considered more respectable than common labour; and, looking only to these circumstances, the pecuniary remuneration of labour ought to be relatively higher. It should, then, be more profitable to put the money out to interest, and let the son be a common labourer, living on the interest in addition to his wages. But that common labour is by much the worst paid, and that there cannot be doubt on the subject, is evident from the fact, that persons never follow this course; but always the opposite. If the matter were doubtful, some would take one course, and some the other, but this is not the case. It must be admitted, then, that it is a monopoly rate of remuneration that is paid in those employments in which much expense is required to qualify a person to follow them.

If we would lower this rate of remuneration, and bring it down, in some measure, to the common level in other employments, the means by which this object is to be attained cannot be mistaken. Arising, as it does, from the great expense of acquiring the necessary qualifications, whatever can lower this expense, must, in the same degree, relax the strictness of the monopoly, throw open the employment to competition, and so tend to lower its remuneration to the average rate of other employments. The objects to be aimed at, then, are, to facilitate or cheapen instruction, to lessen the difficulty and expense of acquiring the requisite knowledge and skill in the arts, trades, and professions, to remove the unnecessary barriers which society or custom and prejudice may have raised to prevent men from following occupations to which they are competent, but for which they have not been regularly educated, or do not possess the qualifications prescribed; substituting, where necessary, others better suited to attain the object they have in view, and allowing greater freedom to individual action.

The higher relative remuneration of those kinds of labour, for the performance of which the procurement of the requisite skill or other qualifications is attended with much difficulty and expense, and a long-protracted course of study or practice, may, perhaps, be attributed in part to the circumstance that estab-

lishing in the world the children of such persons, with the same advantages as the parents have possessed, (which is the object of most parents,) is more difficult and expensive than establishing the children of other classes. These persons are not, therefore, likely to marry so early in life, and the greater mortality before marriage prevents the class having so large an offspring as persons whose children are more easily set going in the world for themselves, and are perhaps able to earn wages sufficient for their support from the moment they begin to be employed. If the class multiplies less quickly than other classes, its numbers can only keep pace with those of others by a continual supply from without. But it is more difficult and expensive for a parent to bring up a child to another business than to bring him up to his own. From this cause, the supply of workmen may be kept relatively below the supply in other occupations, and so the rate of the remuneration be in a degree heightened.

In addition to the expense incurred in the acquisition of skill and of prescribed qualifications, there is a difference in the remuneration which is gained by different workmen in the same employment, who may have bestowed the same time, and expended equal sums, in the acquisition of skill and prescribed qualifications, and this is occasioned by the different degrees of talent possessed by the men. Great talents are always rare; and, because they are so, they are usually well rewarded; for the smallness of competition of equal talent allows their possessors to fix, in a measure, their own price upon their services. But in the case of superior talents, it is not always necessary to consider the remuneration as at a higher rate than that which is paid to the other workmen. The work must be, either superior in quality, or greater in quantity. If higher talents can execute more work, or work of superior quality, within a space of time which could only be done by ordinary talents in a much longer time, this may be viewed in the light of a great quantity of work done in a short time, and thus be placed on a footing of comparison with the work done by ordinary talents; and the remuneration be accounted as due merely to greater industry, instead of existing in a different ratio.

Thirdly, the wages of labour in different employments depend



in part on the constancy or inconstancy of the employment. Different occupations afford more or less constancy of employment to the workman. Such as can only be followed at particular seasons, or in favourable states of the weather, and in which the workman cannot ordinarily engage in anything else during the rest of his time, must be paid adequately to support him both during the time he is employed, and while he remains idle. The same remark applies to such occupations as those of porters, hackney coachmen, watermen, and generally of all workmen employed only for short periods, and on particular occasions, as the calls of customers require. Such persons frequently gain in an hour or two as much as a regularly employed workman earns in a day. But this greater hire during the time they are employed, is seldom more than a compensation for the labour they perform, and for the time they spend in attendance waiting to be hired. If it were something more than this, it would seem but reasonable that some allowance should be made for those anxious and desponding moments which their precarious situation, and the uncertainty of a return of employment, must at times occasion. There is nothing in the nature of these employments to occasion any particular expense or difficulty in acquiring the necessary qualifications for following them, or in any other way to check competition, and where industry is unfettered, the average emoluments accruing from them must be the same as those in other employments.

Fourthly, the wages of labour vary according to the small or great trust which must be reposed in the workman. Integrity being a quality which exists in a degree of scarceness, and being on many occasions indispensable, will command its price; and when the possession of this quality has been proved by an individual, it insures to him a higher rate of remuneration for his services than would otherwise be given. It is said that the wages of goldsmiths and jewellers are everywhere superior to those of many other workmen, not only of equal, but of much superior ingenuity, on account of the precious materials with which they are intrusted. This is the case in many mercantile situations, where large sums of money, or very valuable property, is intrusted, and great confidence reposed in the servant. In

such situations, competition scarcely, if at all, determines the reward, and the employer often allows a liberal salary for a kind of work which he might, if he chose, have done for less. But he gives a high remuneration, perhaps in order to procure a person to accept the post who holds that station in society which an important trust demands; perhaps to put him above the reach of temptation from want: or, again, perhaps in the hope of insuring faithful and zealous service; of retaining one of whose talents and integrity he is assured, rather than risk the having to procure another whose character is unknown, and who might betray his confidence. In the case of lawyers and physicians, great trust must be reposed; but more than all in the higher public functionaries of the state. Affairs of so great importance as are necessarily confided to these last, could not safely be intrusted to men of low condition, who have been brought up and who associate with men of a class where the prevalent sentiments of honour are less strict than in the higher ranks. Such matters must be confided to men who belong to a station in which the most elevated standard of honour is established. The reward for their services must be sufficiently liberal to enable them to maintain that rank in society which trusts of so much importance call for; to place them as far as possible out of temptation to swerve from correctness of conduct; and, by the value of their offices, the loss of which would follow from misconduct, to hold them by the tie of interest to the performance of the most zealous service. In the instances now mentioned, the pay is not determined by open competition. It is greatly restricted, and there are but few persons who can be allowed to compete, from their not possessing the required qualities; or, what is more likely, and which comes to the same thing, their not being certainly known to possess them. Hence such services bear a high rate of reward.

The wages of labour in different employments vary according to the probability or improbability of success in them. The probability that any particular person will ever be qualified for the employment to which he is educated, is very different in different occupations. In employments where there is nearly a certainty of procuring a livelihood, though it be but scanty, this

is enough to induce a sufficient number of persons to engage in them. But when, on the other hand, the chance of failure is great, the expected gains, if success ensue, must be larger in proportion as the danger of failure is greater. In the lottery which has but few prizes, these must necessarily be large; while in the lottery which has but few blanks, the prizes may be proportionately low. In a perfectly fair lottery, those who draw the prizes ought to gain all that is lost by those who draw the blanks. So in employments in which many fail in proportion to those who succeed, the fortunate ought in fairness to gain, not only a proper remuneration for their own labour, but as much as it was proper the unsuccessful should have gained; and this in consideration of the hazard they have run. Most probably they gain this, and we may suppose they gain even more. Competition here, as in every other case, determines the rate of wages, with reference to all the circumstances of advantage and disadvantage, real or imaginary, attending them. The hazard of these employments must deter many persons from encountering it. If the number of those whose competition is thus shut out, exceed that of the number of those who are allured into these employments by the expectation of great gains, competition must be less active, and the whole gains of the class, after allowing for its losses, may be expected to be higher than in other employments.

From what has been said on this part of the subject, it is plain, that, although an inequality obtains in the rate of pecuniary wages paid in different employments, yet if we take into account all the various circumstances of a favourable and of an unfavourable kind which belong to them, we find on the whole that the advantage of following any one employment in preference to another is much less than might be supposed. An inequality, however, does exist. If industry were subject to no restraint, and each individual had the ability, and were free to follow any employment he pleased, then, indeed, the competition to procure those which are the most advantageous, must, on the average, and in the long run, establish an absolute equality in their advantages and disadvantages, so far as the judgments of men are able to appreciate them. But, while differences of

talent, and of fortune, exist among men, competition in those employments where talents and fortune are indispensable qualifications, must be more or less restricted, and a monopoly rate of remuneration be procured in them. As far as the abilities of men enable them to come into competition, an equality of wages will be established; but no further; and those who affirm that an equality obtains in all employments, affirm that which is directly contrary to fact. An equality does not, nor ever can, obtain between employments in which little or no capital is required to fit a person for following them, and employments where a large capital is required for that purpose. However much persons of small capital may wish to share in the higher rate of wages procured by persons of large capital, such wishes are altogether fruitless, where the means are wanted to carry them into effect; and there is, in such case, no tendency in competition to establish an equality of benefits in different employments; which can only operate where there is the ability to act upon it. Where the same amount of capital is necessary, an equality of benefits may subsist in all employments requiring that amount; but not in employments requiring different amounts.

Besides the inequality in the remuneration of labour in different employments, arising from competition being precluded to all those who are destitute of the talents and capital necessary to enable them to enter into competition, an inequality may subsist from other causes.

In order that an equality may take place in the whole of the advantages and disadvantages of different employments, three things are requisite, even where there is perfect freedom. First, the employments must be well known and long established in the neighbourhood; secondly, they must be in their ordinary or natural state; and, thirdly, they must be the sole or principal occupations of those who follow them.

First, this equality can take place only in those employments which are well known, and have been long established in the neighbourhood. When all other circumstances are equal, wages are higher in new than in old trades. When a projector attempts to establish a new manufacture, he must at first

entice his workmen from other employments, by higher wages than they can either earn in their own trades, or than the nature of his work would otherwise require; and a considerable time must pass away before he can reduce them to the common level. Manufactures for which the demand arises altogether from fashion and fancy, are continually changing, and seldom last long enough to become old established manufactures. Those, on the contrary, for which the demand arises chiefly from use or necessity, are less fluctuating, and the same form or fabric may continue in demand for centuries together. The wages of labour, therefore, are likely to be higher in manufactures of the former, than in those of the latter kind. The establishment of any new manufacture, of any new branch of commerce, or of any new practice in agriculture, is always a speculation from which the projector promises himself extraordinary profits. These profits sometimes are very great, and sometimes quite the reverse; but, in general, they bear no regular proportion to those of other old trades in the neighbourhood. If the project succeeds, they are commonly at first very high. When the trade or practice becomes thoroughly established and well known, competition gradually reduces them to the level of other trades, or perhaps below them.

Secondly, this equality in the whole of the advantages and disadvantages of different employments, can take place only in the ordinary, or what may be called the natural, state of those employments. The demand for almost every different species of labour is sometimes greater, and sometimes less than usual. In the one case, the advantages of the employment rise above; in the other, they fall below the common level. In a decaying manufacture, on the contrary, many workmen, rather than quit their own trade, are contented with smaller wages than would otherwise be suitable to the nature of their employment.

Thirdly, this equality can take place only in such employments as are the sole or principal occupations of those who follow them. When a person derives his subsistence from one employment which does not occupy the whole of his time, in the intervals of leisure he is often willing to work at some other employment for less wages than would otherwise suit the nature of the work;

and the produce of such labour frequently comes cheaper to market than it would do under different circumstances. Knitting and spinning were formerly the occasional employments of country people who derived their chief support from other work, and the produce of their labour bore so low a price in the market, that it would have been only a very scanty subsistence that could have been earned by a person who should have followed exclusively either of these employments for a livelihood.

Such are the inequalities in the whole of the advantages and disadvantages of the different employments of labour, arising from the nature of the employments, even where there is perfect freedom of choice. But the policy of Europe, by not leaving things at liberty, has occasioned other inequalities of considerable magnitude. This policy is gradually giving place to more enlightened views. In England, the repeal of the apprentice laws, with the corporation reform, and the alteration in the law of settlement through the Poor Law Amendment Act, have at length given greater legal freedom to industry. The effects of the past existence of the system, however, remain, with scarcely abated force, and must long continue to do so. In France, the revolution swept away the greater part of this system, and everywhere it is now gradually relaxing.

The inequalities now spoken of have been occasioned, in some cases, by restraining competition in certain employments to a smaller number of persons than would otherwise have entered them; in others, by increasing it to a greater number than would naturally follow them; and again, in some instances, by obstructing the free circulation of labour and capital, both from employment to employment, and from place to place.

In some employments, competition has been restrained by the exclusive privileges granted to the corporations of towns, and to incorporated trades. To exercise any trade in one of these towns, it was necessary to be free of the town. To obtain this freedom, it was commonly required to have served an apprenticeship in the town, under a master properly qualified. The by-laws of the corporation usually limited the number of apprentices which each master was allowed to take, and almost always regulated the number of years which an apprentice

was obliged to serve. Both these regulations limited the competition to fewer persons than would otherwise have entered the trade. Limiting the number of apprentices restrained it directly. A long term of servitude restrained it indirectly, but as effectually, by increasing the expense of instruction.

That the industry exercised in towns is, everywhere in Europe, more lucrative than that exercised in the country, is obvious, by comparing wages in the two situations, and from the greater number of persons who have acquired large fortunes by trade and manufactures—the industry of the towns, than by that of the country—the cultivation of land. Wages and profits, therefore, must be higher in the one situation than in the other.

In Great Britain, the superiority of the industry of the towns over that of the country seems to have been greater formerly than at present. The wages of country labour approach nearer to those of manufacturing labour than they are said to have done a century ago; and we may expect that the greater freedom which industry has acquired will lead to a still nearer approximation.

An unnatural elevation of prices is of great public mischief, and no facilities ought to be given to such an object. The inhabitants of a town being collected into one place, can easily combine together. The most insignificant trades carried on in towns have, accordingly, in some place or other, been incorporated; and even where they have never been incorporated, yet the corporation spirit, the jealousy of strangers, the aversion to take apprentices, or to communicate the secrets of their trade, generally prevail in them, and often lead those who exercise it, by voluntary association, to prevent that free competition which they cannot prohibit by law. The trades which employ but a few hands, run most easily into such combinations.

The inhabitants of the country, dispersed in distant places, cannot readily combine together. They have not only never been incorporated, but the incorporation spirit has never prevailed among them. No apprenticeship has ever been thought necessary to qualify for husbandry. Yet, after what are called the fine arts, and the liberal professions, there is perhaps no business in which a larger field and scope are afforded for the display of extensive and profound scientific knowledge,

as well as of practical experience. The many volumes which have been written upon it in all languages show that, among the wisest nations, it has never been regarded as easily understood. There is scarcely any common mechanical trade, on the contrary, of which all the operations may not be as completely laid open in a few pages, as it is possible for words illustrated by figures to explain. The direction of operations, besides, which must be varied with every change of the weather, as well as with many other accidents, requires much more judgment than those which are always, or nearly always, the same. Many inferior branches of country labour, too, require more skill and experience than the greater part of mechanic trades. The man who works upon brass or iron, works with instruments, and upon materials, of which the temper is nearly always the same. But the man who ploughs the land with horses or oxen, works with instruments of which the health, strength, and temper, are very different on different occasions. The condition of the ground he works upon, too, is as variable as that of the instruments with which he works, and both require to be managed with much judgment. The ploughman, though generally regarded as a pattern of stupidity and ignorance, is seldom deficient in this judgment. He is less accustomed, indeed, to society, than the mechanic who lives in a town. His voice and language are more uncouth, and more difficult to be understood by those who are not used to them. His understanding, however, being accustomed to consider a greater variety of objects, is generally superior to that of the other, whose whole attention is commonly occupied in performing one or two very simple operations. In China and Hindostan, accordingly, both the rank and wages of country labourers are said to be superior to those of the greater part of artificers and manufacturers. They would probably be so everywhere, if corporation laws and the corporation spirit had not prevented it.

The superiority which the industry of the towns has everywhere in Europe over that of the country, is further supported by other regulations. The high duties upon foreign manufactures, and upon goods imported by alien merchants, all tend to the same purpose. Corporation laws enable the inhabitants



of towns to raise their prices, without being undersold by the free competition of their own countrymen. Those other regulations secure them against that of foreigners.

Persons of the same trade seldom meet together, but the interests of the trade are discussed, and suggestions offered which, though beneficial to the trade, would be injurious to the public, if adopted. Such meetings, therefore, should not be encouraged. When a particular trade supports its own poor, sick, widows, and orphans, such assemblies are necessary. A regulation which obliges all those of the same trade to enter their names and places of abode in a public register, facilitates such assemblies, by giving the direction where every member of it may be found. An incorporation not only renders meetings of the trade necessary, but makes the act of the majority binding on the whole. The majority can then enact by-laws, with penalties, which will limit the competition more effectually than any voluntary combination. Corporations are unnecessary for the good government of a trade. The effectual discipline which is exercised over a workman, is not that of his corporation, but that of his customers. It is the fear of losing their employment which restrains his frauds and corrects his negligence. An exclusive corporation weakens the force of this discipline, by rendering it necessary to employ a particular set of workmen, whether they behave well or ill. On this account, in many large towns, few good workmen are to be found, while their charges are high. To have the work well executed and at a moderate rate, it must be done in the suburbs, where the workmen having no exclusive privilege, have only their character to depend upon.

Again, European policy, by granting such exclusive privileges to certain trades and places, has necessarily occasioned a more active competition in other employments, and other neighbourhoods, than would have existed without them. The same measures which raised the emoluments of some occupations, in the same degree lowered the emoluments of others, not only relatively, but absolutely.

The condition of the clergy in most Christian countries is depressed, through many of them being educated for that profession, not wholly at their own expense, but from funds which

either the public, or the piety of private individuals, has established for that purpose. These funds draw many persons into this profession, whose inability to bear from their own resources the expense of the long and tedious education required to qualify them for it, would exclude them. The clergy being in consequence more numerous than they otherwise would be, many, in order to procure employment, accept a smaller recompence for their duties than the cost of their education, if defrayed wholly at their own charge, would entitle them to claim, and which other professions obtain whose acquirements are not superior, but which are procured entirely at their own expense. In order to raise the condition of the clergy, the law, on many occasions, has interfered to oblige the rectors of parishes to allow their curates more than the miserable salaries which they themselves might be willing to accept. But in most cases the law has been ineffectual; because it could never hinder them from being willing, on account of their indigent circumstances, to receive less than the legal allowance.

Once more, the policy of Europe, by obstructing the free circulation of industry, both from employment to employment, and from place to place, has occasioned, in other cases, an inequality in the advantages and disadvantages of different occupations. The custom of apprenticeship, with the combinations amongst workmen, has obstructed the free circulation of labour from one employment to another, even in the same place. The exclusive privileges of corporations hindered it from moving from one place to another, in the same employment. It has happened, that while high wages were given to the workmen in one manufacture, those in another have been obliged to work for a bare subsistence. The one was in an improving state, continually demanding additional hands; the other was declining, and the excess of hands in it continually increasing. Though the two manufactures have sometimes been in the same town, and the operations nearly similar in each, the workmen have been prevented from changing occupations, and thus of rendering assistance to one another. Corporation laws have obstructed the free circulation of labour in most parts of Europe. In England,

another obstruction to such circulation has been given, by the law of settlement of the poor. The labour of artificers and manufacturers alone was affected by corporation laws, the difficulty of obtaining settlements obstructed the transfer even of common labour. The apprehension of a poor man becoming burthensome to a parish, has occasioned his being refused employment out of that in which he was legally settled. Thus the scarcity of hands in one neighbourhood could not be relieved from their superabundance in another.\* Happily for the interests of the country, and still more for those of the labourer, this evil no longer exists.

Besides the inequalities in the rewards of labour procured by different classes of industry in the same country, there are not less striking inequalities subsisting, both in the money wages, and in the real rewards of labour, obtained in different countries. The disparity in money wages in different countries presents a subject deserving of attention.

“The average annual wages of labour in Hindostan are from one pound to two pounds troy of silver a year. In England they are from nine pounds to fifteen pounds troy. In Upper Canada and the United States of America, they are from twelve pounds troy to twenty pounds. Within the same time the American labourer obtains twelve times, and the English labourer nine times, as much silver as the Hindoo.”†

There is a distinction between money wages and the rewards of labour which ought not to be lost sight of. Although the money wages of different kinds of labour present in the same country a standard of comparison with one another, and exhibit the relative amounts of the rewards of labour in that country, yet, between different countries, money wages do not afford the same standard of comparison; they only indicate in an imperfect degree the difference between the actual rewards of labour in those countries. To infer, because the English labourer earns nine times as much silver as the Hindoo, that his condition must be nine times superior, and his command over the neces-

\* Vid. *Wealth of Nations*.

† Mr. Senior's *Lecture on the Cost of Obtaining Money*.

saries and conveniences of life in the same degree greater, would be very wide of the truth.

Money is of different value in different countries. Silver being a commodity the subject of commerce, the same as any other commodity, must be dear or cheap in any country in proportion to the difficulty or facility of its acquisition by that country. There is a constant waste or consumption of silver in every country in coin, plate, plated articles, trinkets, and the like ; there is, consequently, always a demand for its importation to replace this destruction, and it is in a constant state of flow from the mining countries to other parts of the world. Now, as a commodity the subject of commerce, silver must be cheaper in its own country than anywhere else ; otherwise it would not pay for its removal ; and it must be dearer in all other countries to which it flows in proportion as they are more distant from its own ; or, more exactly, in proportion to the expense of its removal. It must be dearer in Europe, the country to which it is brought, than in South America, the country whence it comes. It must be still dearer in India and China than in either America or Europe ; since the course of its passage is, first, from America to Europe, and thence to India and China. Silver must be dearer in Europe than in America by at least the expense of its freight and insurance, together with the customary profit to the merchant for his labour and the use and risk of the capital while invested in it. It is true, silver is of easy transport, and the freight upon it cannot be heavy ; but although easily transported itself, it cannot be procured except by purchase with goods, which are not, perhaps, so transportable ; and its higher value in Europe must be sufficient to pay, both for the freight and insurance on the goods out, which are to purchase it, and on the return of the silver when procured. While thus silver in Europe must be so much higher in value as to bear two freights, one of which may be of bulky articles, two insurances, and a mercantile profit ; in India, it must be sufficient to pay freight and insurance four times over ;—two in the exchange from Europe to America, and two in that from India to Europe, together with two mercantile profits. The native of India who purchases silver

with cotton wool, must sell his cotton so cheaply as to allow for the freight of a bulky commodity, and for the risk and damage it may sustain on the passage.

Hence, as there is a greater difficulty in the acquisition of the precious metals by different countries, in proportion to their distance from the mining countries, and the bulky and perishable nature of the commodities with which they must purchase them, these metals must possess a different value in different countries; the quantity of the produce of industry which must be parted with to acquire them must be greater or less, and an inequality be caused in the money wages of labour and the prices of all other things in different countries. But it is possible, that all this might consist with an equality in the real rewards of labour; and, while the quantity of silver procured by the labourer should be different, the command which the quantity acquired might give him over the necessaries and conveniences of life should be the same. Not, however, that there does exist an equality in the rewards of labour in different countries. On the contrary, the inequality is very considerable; though not so great as in money wages.

Another, and still more powerful, cause for this inequality in money wages, is to be found in the different degrees of efficiency of labour in different countries. The goods of any country which are exported to purchase silver must, in the bullion market, stand the competition with the goods of all the world besides which come to that market for a like purpose; and the quantity of silver they will procure will, doubtless, depend upon their quality, without regard to the cost of their production. The muslins of India, when offered in the markets of Europe or America, whence the people of that country obtain their supply of silver, cannot be expected to fetch a higher price than those of equal quality from Manchester and Glasgow, with which they have to compete. But when we contrast the almost incredible efficiency of the machinery employed in the cotton manufactures in one country with the rude and simple loom and implements in use in the other, it cannot be matter of wonder that the goods produced in one country by a day's

labour, shall equal the goods produced by nine days' labour in the other; and, consequently, procure by their sale nine times as much silver to the workmen.

Now the wages that are procured in any country in those branches of industry by the export of the produce of which the precious metals are acquired, must regulate, in great measure, the prices of commodities and the money wages of labour throughout the different departments of industry in that country; at least as far as their power of competition with one another allows. For if the producers in these branches procured by the exportation of their goods more silver than could be procured by the sale at home of the goods produced at a like expenditure of labour and capital in other branches, the competition of other labourers and capitalists would soon bring it down to the common level.

The disparity of one-fourth between the money wages of labour in England and in North America, seems to be accounted for by the different circumstances of the two countries. First, North America is nearer to the mines; the export of its produce to purchase silver, and the import of the silver when bought, are attended with less difficulty and expense than from England. Secondly, notwithstanding that North American labour is, probably, applied with less diligence and skill than that of England, it must be considerably more productive, from its being employed upon only the most fertile soils. From these advantages of position, the North American labourer is enabled to produce commodities, and export them to the bullion market, to the value in that market of above one-fourth more than those produced and sent by the Englishman in the same period, and to more than the value of ten times those produced and sent by the Hindoo.

Again, in addition to the different degrees of difficulty in the transport of commodities from different countries to the bullion market, and the import of the precious metals, and besides the unequal degrees of efficiency of labour, the disparity in the money wages of labour, the same as in its real rewards, must be occasioned partly by the different extent of the deductions which are made from the gross produce created by industry, for rent

and profits. In America, not only does the soil yield to the husbandman more produce than in England, but the landlord takes away less even from that larger produce. The capitalist, it is true, has a somewhat larger share, but only in a slight degree to compensate for the smaller deduction for rent. In India, the share of the capitalist is very large, and constitutes a formidable deduction from the gross produce of labour. With regard to rents, those of rice grounds are said to be very high; but what rents in general may be in that country I know not.

In the mining countries all prices ultimately depend on the cost of producing the precious metals. Though the remuneration paid to the miner is not identical with that received by other producers, yet it affords the scale by which the remuneration of all other producers is calculated. When once experience has ascertained the comparative advantages and disadvantages of different occupations, competition will cause wages in them to bear the same proportion to one another. "The mine worked by England is the general market of the world: the miners are those who produce those commodities by the exportation of which the precious metals are obtained, and the amount of the precious metals, which by a given exertion of labour, and advance of capital, they can obtain, must afford the scale by which the remuneration of all other producers is calculated."

Whence it follows, that the income *in money* of each individual depends on the difficulty or facility which the industry of the country to which he belongs, experiences in the acquisition of the precious metals. It is more or less according to the efficiency of labour in the production and transport of *goods exported*, and the competition to be sustained in the bullion market, whether it be with home or with foreign competitors.

In the case of a heightening in the efficiency of domestic industry, though it may be confined to one branch only, yet it spreads its effects over all the rest, and extends its benefits to each individual in proportion as he is a consumer of the article in the production of which the efficiency of labour is heightened. If manufacturing industry, for example, become doubly efficient, while agricultural industry remain as before, the agricultural

labourer, notwithstanding that the produce he raises is no greater, will be able to purchase with that same produce a double quantity of manufactured goods. For if the manufacturer did not make a proportionate reduction in their price, manufacturing profits would exceed those in other occupations, and, when this should be ascertained, competition would compel the manufacturer to reduce his demands to the common level of profits acquired in other occupations.

Similar effects result in the case of a greater facility in the acquisition of the precious metals, whether this arise from the greater productiveness of mining industry, or greater advantage in the exchange of exportable goods for them. Every individual is a purchaser of the precious metals, though not immediately from the mining countries, and, whatever be the branch of industry in which he is concerned, he, as purchaser, partakes in the consequences of an increased facility in their acquisition. The acquisition of a greater quantity of them may not be an advantage in every case. Unlike most other commodities, they are not *consumed* by the purchaser, but are parted with again. So far as they may be expended in home productions, they will be parted with on the terms on which they are acquired; their value will fall, in proportion to the increase of their quantity, and no advantage will accrue to the purchaser in this way: a greater quantity of money will be procured; and the monied income of the labourer and landlord will be increased; but the prices of home goods will rise in the same proportion.

But, if this increased facility should have arisen from a greater efficiency of domestic industry, or the absence of an active competition against home goods in the bullion market, this advantage, which is peculiar to the country, and does not extend to other countries, would give an advantage to the country in the purchase of foreign commodities and foreign labour. In proportion to this increased facility would the nation be able to procure a quantity of the labour of other nations greater than the quantity of its own which it gives in exchange. The landlord, with his advanced rents, would be able to travel and live abroad in much greater splendour than the proprietor of the same extent of equally fertile land in those countries which he visits could aspire



to ; little imagining that his superiority was owing to the steam engines and spinning jennies of his neighbour the manufacturer.

“ Such, in fact, were the events which actually occurred in this country during the latter part of the eighteenth and the beginning of the nineteenth century. The inventions of Hargreaves, Arkwright, and Watt, by making English labour ten times, or more than ten times, as efficient in the production of exportable commodities, doubled, or more than doubled, its value in the foreign market, and reduced to one-half, or less, the cost to England of obtaining the precious metals. It is true, that, clinging to the restrictions and prohibitions of our commercial code, we have, as yet, refused the greater part of the advantages which Providence seemed to press on our acceptance ; but cramped as they are, and always have been, by our perverse legislation, the skill of our manufacturers has, during the last sixty years, more than doubled the rent of land and the income of every class of producers.”\*

But the start before all the world in industry which England acquired by these inventions, and the superior facility they afforded of purchasing in the bullion market with new commodities unopposed by the rivalry of competitors either of its own or other countries, were temporary only. Every newly-discovered art acquires at first high gains. When it comes generally into use, they gradually fall to the common level. So it is with the inventions now spoken of, their novelty is past, and the high gains which they at first afforded have drawn so much competition into them that these gains have greatly fallen. They would have fallen not merely to the common level of other occupations, but below it, if it had not been that new improvements have been constantly introduced, which have kept them up. While the war shut out the competition of all the rest of Europe, and left the supply of the mining countries to England chiefly, and while the inventions were but little in practice at home and unknown abroad, competition was feeble, and the advantage in selling proportionably great. But now that competition at home has arrived at the highest pitch of rivalry, and foreign as well as home competitors are to be encountered,

\* Mr. Senior's Lecture on the Cost of Obtaining Money, p. 19.

European goods have experienced so great a fall in the mining countries, that a much larger quantity of them must be given for the precious metals, and there no longer exists the same degree of superiority in British industry over that of other countries.

Independently of the difference in the facility or difficulty in the acquisition of the precious metals by the people of different countries, arising from the peculiar circumstances under which they are placed, and their greater or less distance from the mining countries, the real rewards they obtain by the exertion of labour present likewise a striking inequality, which is worthy of observation.

More than upon anything else, the inequality in the condition of the labouring classes in different countries depends upon the different degrees of productiveness of their industry, or the different amounts of the produce which it creates; but especially, upon the productiveness of those branches of industry, the produce of which they consume largely.

These facts will serve to account, in great measure, for the unequal condition of the labouring classes in different countries. The contrast exhibited by the different condition of the people, especially of the working classes, in old and in newly-cultivated countries, will, in great part, be explained from these causes.

The fortunate condition of the labouring classes in North America, the settlements of New Holland, and other newly-colonized countries, strikes us forcibly. In such countries, man is exhibited in circumstances more favourable to his comfort, his affluence, and ease, and, upon the whole, more conducive to human happiness, than any in which he has been placed at any period of his existence from the creation until the present time. With the security of person and property which an advanced state of morals and of social institutions affords, with the heightened efficiency in the powers of industry, from extensive knowledge and consummate skill, to the acquisition of which the labours of thousands of years have been necessary, and by which these powers have been made incomparably to surpass those of every former age; with such advantages, and such an augmented power over the works of nature, he finds himself in these

countries unaccompanied by that disadvantage which, in every other country, has almost kept pace with the advance in the productive powers of industry ; I mean the disadvantage, through the increase of population, and consequent difficulty of supporting augmented numbers, of being subject to a continually increasing scarcity of fertile land. That the fortunate condition of the labouring classes in these countries is to be attributed, more than to anything else, to the productiveness of their industry, or rather, of those branches of it the produce of which they are the largest consumers, must be evident on a slight degree of reflection.

In these countries there is more land than the inhabitants are able to cultivate, or than there is capital for the purpose. Industry is therefore applied to the cultivation of only what is most fertile and most favourably situated,—the land near the sea-shore, and along the banks of navigable rivers. The application of industry to the cultivation of such fertile and favourably situated lands, with all the knowledge and skill, and with the powerful implements and beasts of labour, which an advanced progress of society commands, must yield a large increase ; capable of paying both a high rate of wages and a high rate of profits. Consequently, capital accumulates rapidly ; labour is everywhere in request, and much better paid than in old countries ; while the price of provisions is much lower. In North America, a dearth has never been known. In the worst seasons, they have always had a sufficiency for themselves, though less for exportation. If the money price of labour, therefore, be higher in that country than in any other, its real price, the command over the necessaries of the labourers' subsistence which it conveys, must be higher in a still greater proportion. A decisive mark of the prosperity of any country is an increase in the number of its inhabitants. While in Great Britain the population is doubling itself in fifty years, and was formerly, the same as in most other European countries, not supposed to double in much less than a century, in North America it is known to double in twenty or five and twenty years, and in some places in a much shorter time. It is true, great part of this increase is owing to the continual accession of new settlers in the prime and vigour of life, but a

great part is also due to propagation, by births, from the original inhabitants. Although England is a much richer country than America, yet it is less thriving; and while much of its industrious population is depressed with poverty, that of America is in the enjoyment of all the necessaries and many of the comforts and luxuries of life.

The fact that the condition of the labouring classes depends upon the productiveness of those branches of industry of which they themselves are consumers, is so important that it ought to receive a great share of attention. As food forms by far the largest item in the expenditure of these classes, they are more especially interested in the productiveness of agricultural industry. The condition of the poor, then, depends mainly on the quality of the poorest land in cultivation; or, which is the same thing, on the return acquired from the last portion of capital bestowed in heightened cultivation. Adam Smith attributes an advance of wages to an increase of national wealth, and considers the happy condition of the labourer to depend, not on the actual greatness of that wealth, but on the rapidity of its increase. This misapprehension of the true cause of a high rate of wages proceeds from the error of concluding, that it is capital which affords employment to the people. But it is in the different degrees of productiveness of the industry by which food is acquired, that the great inequality in the condition of the working classes in different countries consists. And here is to be found the great cause of the difference which we find to subsist between the condition of the labourer in all old countries, where poor soils are necessarily cultivated, and agricultural labour is consequently but little productive, in comparison with countries newly settled by civilized nations, where fertile land is so abundant as to be the only kind which is tilled; and where food is, in consequence, so easily procured.

But though the chief cause which operates in favour of the labourer has, in this instance, been overlooked by Smith, there are, notwithstanding, circumstances attending the progressive accumulation of wealth which are to the advantage of the lowest class of labourers, and which, through its welfare, operate favourably on other classes, and on the prosperity of the public at

large. In the expenditure of wealth in the way of investment or employment as capital for reproduction, rather than in its expenditure by the rich, by whom it has been acquired, in their present consumption in luxury and refined or splendid works of taste or display, the class of workmen whose labour is called into action is of the inferior sort: not of that sort whose skill and art are of a high order, and of difficult and expensive acquisition. Now the commoner sort of workmen being always superabundant, when employment can be found for this sort, the whole powers of industry of the community come into activity.

The unequal degrees of rapidity in the accumulation of wealth in different countries, are not in themselves sufficient to account for the different conditions of the labouring classes in those countries. England has been for many years past advancing, and still continues to advance, with rapid strides in the further acquisition of riches. America has done and is still doing the same. But there is, perhaps, no very striking difference in the rapidity of this advance in the two countries. Certainly none sufficient to account for the inequality in the circumstances of their respective poor. The advance of wealth in England has been made chiefly by the rich; the great amount of her already acquired capital is the means by which her further riches are acquired. The advance of America has taken place chiefly on the part of the working classes, through the productiveness of their labour and capital. The capitalists of England prosper on account of their great wealth, and the landlords on account of the scarcity of land in proportion to the augmented population to be supported on it. The capitalists in America prosper through the high rate of profits of capital; while the labourers, notwithstanding the high rate of profit they have to pay, are more than compensated for this disadvantage, by the absence of the class of landlords, or, where they do exist, by the smallness of the rent they are enabled to demand. In America, too, the lighter burthen of taxes is also an important element among the causes of the favourable condition of all classes.

British labour is, perhaps, more productive than that of America, especially since the false and disadvantageous direction to manufactures which has been forcibly given to industry in that

country. But the productiveness of British labour is displayed chiefly in the beauty, the fineness, and cheapness of the goods which are consumed by the rich, while the sterility of some branches of industry is evidenced in the dearness of provisions, the great item in the expenditure of the poor. On the other hand, the most productive branch of American labour is agriculture, while the least efficient is that by which the luxurious propensities of the rich are ministered to. It is thus that, in one country, the rich are relatively better off; and, in the other, the poor.

Again, the superiority of America consists in part in the circumstance that agriculture, which in that newly-settled country is its most productive branch of industry, forms the great business of the country. Now the peculiar nature of the cultivation of the soil is, that it affords employment to unskilled labourers. Not, as we have already remarked, that the conduct of agriculture really requires less skill and experience than that of other branches, but it requires none which law or custom has rendered difficult or expensive to acquire. In the ordinary way in which husbandry is conducted, the labourer insensibly acquires his skill in the daily performance of his work, which he begins to learn from childhood; there is no apprenticeship necessary; no apprentice fee, and no outlay of capital, to obtain the requisite qualifications for following his art. It is to the great demand for common labour, and labour which costs nothing to the poor to qualify them for practising, that the prosperity of America and the superior condition of the working classes in that country are greatly to be ascribed. As there is never a superabundance of work people of the lowest class, they are no burthen on the other classes. Able to support themselves through full employment, and through the ample rewards of labour, they keep up a constant and efficient demand for the produce of the labours of the other classes. Thus the whole industrious population is maintained at work, and business kept alive, by the activity of the demand from the lowest and most numerous class. Contrast this state of things with the condition of the old countries of Italy or Spain. Here the superabundance, the want of employment, and consequent idleness and poverty, of the lower orders, cause them to be a burthen on the other classes. With the exertion

of but a part of the national industry, and that with little skill and knowledge, those countries are proportionably poor. The lower orders, producing but little themselves, have but little to give in exchange for the productions of the other classes; and when they procure the supply of their wants, it is often through the bounty of others, and not by the exchange of equivalents. Instead of encouraging the industry of the other classes, and adding to the strength and resources of the state, they detract from them, prey upon the resources of society, and weaken and clog its operations.

Another favourable circumstance connected with agriculture is, that there is seldom a stand-still of business through disagreements about wages between masters and workmen. In manufactures and trades of various kinds business is frequently suspended, not from want of work, but through the masters being unable to employ all their workmen at existing wages; because the consumers cannot purchase the whole produce of their labour at existing prices, which they would gladly do, if the goods were sufficiently reduced in price to meet their means of purchase. But in husbandry, if a suspension of industry, or a want of employment, takes place, it is seldom through any other cause than there actually being no work to be done. In agriculture there are no incorporations for its regulation, and seldom any combinations amongst workmen to keep up wages and prevent men from working for low wages. There is, accordingly, a more steady employment for the labourer in agriculture than in most trades; and the community in which it forms the principal occupation, as it does in newly-settled countries, or whose industry is chiefly directed to employments free from such regulations and combinations, is likely to be more exempt from suspensions of industry, and to derive a larger produce from labour, than other communities.

The favourable circumstances now mentioned are all of them of importance, and taken together are of sufficient magnitude to account for the more easy and comfortable condition of the working classes in newly-settled countries than in others. Indeed, they are of such consequence that it would be strange if their condition in these countries were otherwise.

## SECTION III.

*On the Rewards of Learned and Scientific Exertion.*

It might be expected, that the expense which a liberal education involves would yield an equally profitable return with money expended in learning any art or profession. If, however, the education be confined to literature and the sciences in general, without a special direction to the practice of some particular profession, the services of whose members are in general and constant request, such education, though better paid in the present than in earlier times, still affords but a poor subsistence to its possessor. Almost every person who is intended either for a profession, or for living on his fortune, is well educated. There are many such men who are unable to establish themselves in the professions or employments for which they were intended, or who do not succeed in them after being established, and who, in consequence, are thrown back on the resources which their education affords them. Thus, the class of such men, in addition to its own proper members, is the common receptacle for the unfortunate of other classes. Every profession which fails, and every fortune which is ruined, throws men into it. In this respect, it corresponds with the lowest class of labourers. Every trade which fails, throws its workmen into the class of common labourers; for all kinds of workmen are able to perform common labour, though capable of nothing else. Whence the numbers of both these classes become overcharged, and the rewards they are able to procure are scanty.

Another cause of the poor remuneration of learning, especially among the clergy, is to be found in the fact which has been already spoken of, that in most Christian countries, many persons are educated for the church gratuitously, either at the public expense, or from funds arising from charitable bequests, and contributions to that object. Our pious forefathers, in whose days learning was less diffused than at present, and the clergy for the most part insufficiently instructed, thought that the cause of religion was served by educating men gratuitously for



the church, not considering that the evil might be only temporary, and that the remedy, if permanently established, might render the clergy too numerous, whence it must be poorly paid, and its indigence lessen the respect in which it would be held, as well as its influence in society. Men of talent who would voluntarily enter this class must, in consequence, be deterred from doing so at their own expense, when an inadequate remuneration would prevent their ever returning the money expended, and thus providing suitably for themselves and families; and the church must be filled, not alone by men whose talents and devotedness to its cause must fit them for it, but by those who happen to possess interest to procure presentations to the colleges. When the public affords a gratuitous education, and there is little or no money advanced by the individual or his friends, no higher remuneration is due to his services than is paid in those mechanic trades in which no apprentice fee is required, nor any longer servitude than that which is spent in his education; and it would be surprising if he should be paid at a much higher rate than this. Accordingly, we find that the salaries of those clergymen who have had no benefice, but have been hired curates or chaplains, has at no time much exceeded the wages given to the generality of mechanic trades.

It is probable, however, that the low rate of remuneration in these elevated paths of human exertion, is, on the whole, rather advantageous than hurtful to the public. Intellectual pursuits serve to enlarge our knowledge, augment our riches, and purify our morals. But if we would derive the advantages which the cheapness of literary education confers, we cannot complain at having to pay its price, in the degradation of the profession of a public teacher. If, however, we are dissatisfied with paying this price, and wish that learning should be better rewarded, the cause of the depressed condition of its professors must be removed. Learning must be left to itself to find its own level, and we must cease to derange that natural order of things through which, in every other department of exertion, an expenditure of capital for useful objects can be made with a certainty of its affording a profitable return. Learning, in such case, would gain a remuneration proportioned in some degree to the money expended in acquiring it. Individual or public bounty

to necessitous individuals can only palliate for a time the effects of the disease. In order permanently to eradicate the evil, remedies must be applied to its cause ; the superabundant numbers of the class in question must be lessened, which produces a competition so unfavourable to its emoluments.

The funds appropriated to give a highly-finished education gratis to a few, might be well bestowed in giving one less expensive to many. The system of favouritism which raises one child above another, without any superior merit of its own, lowers relatively the position of the rest ; is calculated to excite a feeling of envy in their breasts, and to make them depend rather on the patronage of their superiors than on their own exertions. Every measure, likewise, which might throw more open to competition the different arts and professions, or might facilitate the acquirement of the qualifications necessary for following them, is calculated, in a degree, to lessen the glut of merely learned men, and thus to raise the reward of their labour.

The philosopher who does not work with his hands, but observes and reflects on everything, who occupies himself with the investigation, the discovery, and development of the hidden laws of nature, or the formation of combinations never before attempted, with a view to direct industry in that course which shall yield a larger return than has been before obtained, not only by his labours and studies distinguishes himself above others, but proves of the highest possible service to mankind. In comparison with his, the labours of other men are almost as nothing. *They* increase the stock of material wealth existing ; but *he* enlarges the sources whence it is acquired. They work to supply the present wants of themselves and families, and for this alone ; he to feed and clothe the species everywhere, and in all times to come. The products to which their labour has given birth are ended with their consumption ; but the results of his labours are imperishable, they last for ever, and their beneficial consequences commencing from a little extend and spread over a circle which in extent and duration has only the world and time for its boundaries. All the arts owe their origin and consummation to exertions of the same kind with those about which he is occupied. Many manufacturing processes

could never have been executed without the scientific acquirements which he has brought to their aid, and which acquirements were probably the result of long study, intense reflection, and a series of experiments equally ingenious and delicate, far above the reach of the vulgar,—the production of talents of the first order, and of a combination of the highest degree of skill in chemistry, mathematics, and mechanics.

But while industry has reaped incalculable benefits from the knowledge of which the man of science is the discoverer, the depository, and the distributor, yet how scanty, except in fame, has been the reward of the men from whose discoveries and inventions in science and art mankind has derived such advantages! This knowledge must have been slowly, and with no small difficulty, acquired; at the expense of untold losses and privations to the individuals by whose exertions it was obtained. Yet, far from having received that pecuniary recompence which ought to have been awarded for the talent and labour exerted, and the expense incurred, in the cause of the species, these individuals have seldom reaped during their lives even gratitude for the benefits they have conferred. Many of them, though scarcely less estimable for their virtues than distinguished for their talents, have shared to its full extent in the common lot which in all countries and ages has awaited the benefactors of mankind—calumny, hatred, and persecution. While posterity alone, after their death, and when it can no longer serve them, renders at last a tardy homage to their merits. To take a few examples, Amongst the most distinguished of modern discoverers in science stands Galileo. But who can read without emotion the recital of the cruel sufferings, especially in his declining years, which awaited this amiable and venerable man—constantly calumniated and persecuted, often compelled to flee from city to city to escape the bitter enmity of his traducers; at length immured in a dungeon of the Inquisition; and finally, obliged, as the price of freedom for the few short years remaining of his life, to sign with his own hand a recantation of his belief in some of the most sublime discoveries of modern science. Let us look again at the fate of the greater number of the talented men in our own country, whose genius gave birth and vigour to our manufactures. Lee, the inventor of the stocking frame, was neglected in his own

country. He sought the patronage of Henry IV. of France, with whose aid he established a manufacture of stockings at Rouen. But on the death of that monarch, this distinguished inventor fell into difficulties through want of encouragement, and died in poverty at Paris. Yet the English government, which could not appreciate his merit while he lived, could, after his death, prohibit by law the exportation of the frames which he had invented. The *fly-shuttle* was the earliest of the modern improvements in the art of weaving. It enabled the weaver to weave twice as much cloth as before. Kay, its inventor, was so persecuted by the workmen that his life was in danger from their fury, which drove him from his native country, and compelled him to seek refuge in France. Among the inventors of spinning machinery, Wyatt was the first, and, because the first, perhaps the most meritorious. The difficulties which he had to contend against were more than he was able to surmount; and eventually he sank under them. Who can read without the tribute of pity for suffering merit in distress, his letter from the Fleet prison, to which his misfortunes had consigned him, addressed to a member of parliament, praying him to support a bill then before the House of Commons for the relief of insolvent debtors? Hargreaves, once more, the inventor of the spinning-jenny, did not extend his ambition to obtain a patent, but was content to employ his jenny to spin worst for his own family's weaving. Yet his house was broken into by a mob of infuriated work people, his machine destroyed, and himself so persecuted as to be obliged to fly his native country, Lancashire, and seek refuge at Nottingham. There he obtained assistance, and afterwards took out a patent; but was despoiled of the profits by a combination of manufacturers; because to clothe his children when in distress, of whom he had six or seven, he had been obliged to dispose of some jennies before he left Lancashire. Such have been the rewards of the greater number of the men to whose genius and labours we owe the growth of our cotton manufacture, and which have raised that manufacture from an occupation of minor importance in a national point of view, to one of the very highest. In the first half of the last century, the annual value of our exports of cotton goods amounted on the average to about £20,000. In the year 1833 it had increased to £18,486,000;

and afforded subsistence to at least 1,500,000 of our fellow-subjects. Nor is this unexampled improvement at a stand; on the contrary, it is still advancing with a rapidity which defies all computation as to its probable condition in future times.\* But let it not pass unobserved, that all this is owing to the improvements which have been introduced into the manufacture; and which in one department have increased our power of spinning yarn, from one thread at a time to two and twenty hundred; and all these of incomparably superior quality to the one. Nor let us fail to observe to whom it is all due;—to men who, though they have given the means of feeding and clothing every person in the present as well as in all future times in a vastly better manner than could possibly have been done before, have nevertheless not merely passed through life neglected and unrewarded, but been persecuted,—many of them driven from their homes, and compelled to seek refuge in obscurity.

Neither is this treatment of men to whom humanity is indebted to an amount which defies computation to estimate, but of whom the world was unworthy, peculiar to our own country; Other countries have participated in the guilt and infamy of similar conduct to other equally meritorious individuals. Two or three years since, the public prints announced the death in Paris, at a very advanced age, of the ingenious Jaquard, the inventor of the loom known by his name; an invention which has become adopted throughout all France, and which gave new life and vigour to her declining manufacture of silk. But although the city of Lyons now owes all its prosperity, and almost its means of subsistence, to his invention, yet so great was the enmity excited against him for it, that three times he with the greatest difficulty escaped from the city with his life. The *Conseil des Prud'hommes*, who are appointed to watch over the interests of the Lyonesse trade, broke up his machine in the public place; “the iron (to use his own expression) was sold for iron, the wood for wood, and he, its inventor, was delivered over to universal ignominy.” Nor did the opposition to the introduction of his loom cease until the effects of foreign competition in the manufacture compelled the weavers to use it. Buonaparte granted Jaquard a pension of a thousand crowns as a reward for

\* Vid. Baines's History of the Cotton Manufacture, ch. 9.

his discoveries ; \* though other accounts say that he was suffered to live and die unnoticed and in want.

Some happy exceptions there are of men whose splendid talents have procured them honour and wealth,—the just reward of their inestimable services to the world. We have a Watt, a Strutt, an Arkwright, a Howard, whose strength of mind, aided by favourable circumstances, overcame all obstacles, and acquired for them splendid fortunes. But such instances of success are few in comparison of the many whose resources were unequal to contend against the difficulties opposed to their progress : they are the exceptions to the general rule, and not the rule itself,—which assigns to genius employed in the service of mankind, opposition, hatred, poverty, and neglect.

The disproportionate remuneration of this superior class of knowledge and exertion proceeds partly from new discoveries being usually received in industry with distrust and apprehension of failure ; while interest and prejudice oppose their adoption, and for a long time prevent their being brought into practice. It proceeds partly, too, from discoveries in science not being immediately perceived to be applicable to the arts. At first many of them appear only as curious, but barren facts, without any useful tendency. Afterwards their application to industry comes to be perceived, and the profit accruing from such application is reaped by men who had no share either in the labour or the merit of their discovery. Perhaps there is no art more indebted to the abstract sciences than navigation. Its superiority in modern over ancient times is in great part due to the labours of mathematicians, astronomers, and other scientific inquirers. Modern navigators are much more indebted to such men than to those of their own profession ; whose improvements of the art have been comparatively few, and these of minor importance. But where has been the reward of the inquirer into the properties of numbers, of angles, and of curves ? The application of his discoveries was not perhaps immediately perceived ; or if perceived, he was not the party who could apply them in practice ; whence he failed to share in the rewards, though most of all entitled to them. We owe our knowledge of the new world to the discovery of Columbus in the fifteenth century. But it

\* Penny Magazine, 12th Jan. 1833.

was the previous labours of the Pythagoreans, of Copernicus, and Galileo, which proved the rotundity of our earth, that presented to Columbus the persuasive reasons which induced him to attempt the westward passage.

Again, this disproportionate remuneration proceeds partly from other circumstances. The knowledge and discoveries the acquisition of which may have cost intense study, unwearied exertion, and perhaps considerable expense in investigation, and experiments many of which may have failed, are communicable in a moment. They are probably transmissible in a few pages; and, through the channel of public lectures or of the press, are circulated more extensively than actual use requires; or rather, they spread of themselves. Once divulged, they cannot be withdrawn; and being imperishable, there is no need for operative industry again to recur for a fresh disclosure to him from whom they have emanated. The products of every other kind of industry, whether they be for immediate and total consumption, or of longer duration and for permanent use, are all of them in a state of more or less rapid consumption or decay, and the renewed exertion of labour is always called for to replace the gradual waste which is constantly going on. But knowledge and discovery are of a quite different character. In these, there is neither waste, consumption, nor decay; and as there is no need to ask the scientific labourer for a renewal of the supply, there is little demand for his industry, and it is ill repaid. If he renew his application and attempt other discoveries, success is more than uncertain, it is always rare; and it may be long before he have any new production of his genius to offer, in order therewith to purchase a fresh supply for his wants. When he have, such rare productions are not in demand, and he has to create a demand for them, in addition to the task of furnishing the supply.

Profit may be obtained from a discovery or invention whose application to the arts is at once perceived, in three ways. By employing it, and keeping the practice secret, where this can be done; by obtaining an exclusive patent for exercising it; or by a pecuniary reward from the public. But discoveries in science, as their profitable uses are seldom at first perceived, rarely yield any pecuniary advantage whatever to the discoverer.

We cannot doubt that this disproportionate remuneration of a kind of exertion which is incomparably more useful to mankind than any other, is prejudicial to its interests, by disabling some men and deterring others from following pursuits so unprofitable, and even hurtful to themselves. A suitable reward for those useful discoveries by which humanity is benefited is due from it to those persons by whom they are made. Nations sufficiently enlightened to judge of the immeasurable advantages which result from scientific pursuits, have endeavoured by honorary distinctions, and in some few instances by pecuniary rewards, to indemnify the man of science for the trifling profits accruing from his professional labours. But the views that have now been offered of the magnitude of the services which such labours render to the public, and the multiplied instances of failure in procuring any reward for them, imperiously call from every enlightened government for a more liberal extension of patronage and protection, than has ever yet been awarded to the men who by their discoveries or inventions contribute to the advancement of science and art.

#### SECTION IV.

##### *Of the Rewards of the Labour of the Master, or Adventurer.*

It is seldom that the person who conducts a business is not owner of some at least, if not the whole, of the capital embarked in it. It is rare that a man begins business without any capital, and by borrowing from others the whole of the capital he employs. If he but purchase some of the implements with his own money, or do but maintain himself for a time from his own funds, he so far advances capital, and, in consequence, is entitled to share in the profits of the concern in a double capacity, as capitalist, in the returns of capital, and as manager, in the reward of the labour and risk of management. In this place we inquire into the reward which peculiarly belongs to the management; the return acquired in the quality of capitalist having been already considered.

The master acts a most important part in the economy of



industry. Every other class of society is dependent upon him. He pays the incomes of the landlord, of the inactive capitalist, and of the operative labourer. On his success or failure, on his intelligence, talent, and enterprise, the activity of every branch of industry, as well as its prosperity or adversity, wholly depends.

The reward of the labour of the master, like that of every other person whose industry comes into the market to be subjected to competition, is governed by the ratio of the supply to the demand, or the quantity of that kind of labour which is in the market, and the demand which exists for it. His condition is raised by lessening competition amongst his own class, which operates against him, and by heightening competition in every other class whose goods or services he purchases, which operates for him.

The reward of the master is usually higher than that of most other persons occupied in business, from the many and superior qualifications required to fit an individual for so important a post,—qualifications which are possessed by comparatively few persons.

The principal of these is, the ability to command the capital requisite to conduct a concern with success. This capital is not always the entire property of the master, but is often borrowed in part of other persons. Yet he must possess capital of his own sufficient to cover ordinary losses which may be expected; for without such security, few persons would knowingly adventure their money in his hands, subject to the inevitable loss which a want of success must occasion. Besides this, to command capital, he must have the reputation of probity, intelligence, industry, prudence, and economy,—qualities essential to success in business.

The second principal qualification of the master is, an intimate acquaintance with all the various processes of the particular business in which he engages; the ability to judge of the quality and value of the various articles in which he deals, with the best markets in which to purchase or sell them, together with a knowledge of the mercantile world, and of business in general. The attention of the workman is directed solely to the production of the article, or the performance of the single part assigned him towards it,—in general a simple operation. That of the master

must take a wider range; his thoughts are distracted with a thousand considerations and perplexities unknown to the workman. In every department of industry, whether agricultural, manufacturing, or commercial, the extent and variety of information necessary to conduct the business of the master with success, is considerable. As society advances, and further improvements are effected, this information must be greater. With the advance of society, and the increase of capital, profits fall, which renders it necessary that the calculation of the cost of production or adventure, and the probable relation which the supply of the article will bear to the demand when it shall come into the market, on which the price will depend, should be more precise and accurate. In all these, a high degree of intelligence, foresight, activity, perseverance, and economy is required, which can only be gained by a long previous application to business in a subordinate capacity, which is seldom attended with much remuneration, and is commonly the occasion of expense. Besides this, he must possess connexions, and the qualities calculated to procure him friends and customers,—agreeable manners or address, punctuality, and the reputation of probity. Reviewing the superior qualifications required in a master over those essential to the workman, especially to the workman in employments where a great subdivision of labour renders the operation of each extremely simple and easy, we cannot wonder that the labour of the master should be much more valuable, from the greater difficulty of performing it, and be a great deal higher paid, than operative labour, in consequence of its shutting out the competition of all those persons who are destitute of the qualities it demands. Attended with these qualifications, the occupation of the master is often accompanied with great success, and realizes ample fortunes. On the other hand, the want of them must sooner or later discover itself, and lead to ultimate failure, involving the loss, not only of the expected profit, but of the principal also. The competition of the one thus withdrawn gives an opportunity to the other masters to extend their concerns and raise their profits.

Different branches of business do not require an equal extent and variety of knowledge, or an equal capacity, to conduct them.

The common routine of a retail trade is in general sufficiently simple to be successfully managed by men of ordinary abilities. The skilful direction of a foreign commerce, on the other hand, must require the possession of more extensive information. In this, besides the ordinary qualities required in other traders, there should be an acquaintance with the languages of the different countries with which the commerce is carried on, a knowledge of their commercial code, their customs, duties, and currency; the expense and risk of transport, the qualities and value of a great number of commodities of dissimilar nature. There must also be foreign connexions and correspondents. The want of these shuts out the competition of many persons from the foreign trade, and thus allows those who are engaged in it to obtain a higher rate for their agency than that of persons engaged in some other occupations.

Again, the risk to the capital of the master causes his employment to be higher paid than that of most other persons. There is a greater or less chance of failure in every branch of business, however well it may be conducted. In some the hazard is extreme; amounting to more than an even chance of total failure. In all businesses where a man has to hazard his fortune, and expose it to the errors and faults not of himself only, but of others also; to the hazard of circumstances over which he can have no control—to storms, to the seasons, to depredation, to political occurrences and convulsions; he must have an adequate profit in contemplation, to induce him to expose his fortune, and in some measure his character also, to chances and disasters which no human foresight can anticipate. The hazard being extreme, the profit when it comes must be proportionately high, to counterbalance the heavy losses which frequently occur. There must not only be a greater return on the average for the capital employed, but also for the superintendence, coupled as it must be with so much responsibility, and beset with so many anxieties. These risks and anxieties keep out the competition of the timid, and thus render the reward of the more adventurous higher than it otherwise would be. For this reason, too, the profit of the foreign trade should be in general higher than that of the

home trade, on account of the greater uncertainty of the return ; and in the different branches of the foreign trade, those which are connected with more distant countries, especially with barbarous and half-civilized nations, should bear higher profits than trade carried on with neighbouring and civilized people. Of all occupations, that of the smuggler is the most hazardous, and, accordingly, its profit, when the adventure succeeds, is the highest. It should seem, however, that these profits are not sufficient to compensate for the risk incurred ; since, of all occupations, his is the most likely to lead to ruin. And of other trades, it would often be wrong to conclude that those which yield the highest profits are on the whole the most advantageous, since their greater risks may compensate, or even exceed, their greater profits.

## SECTION V.

*On the Rewards of Operative Labour, and the Means of Ameliorating the Condition of the Working Classes.*

IN civilized life, manual labour is for the most part performed by persons of the poorer class, who have but little capital. Not that they are wholly destitute of property, and advance no portion of the capital employed in industry, for almost all of them provide their own tools, which in some trades are of considerable value. A complete set of joiner's tools, for example, is said to be worth fifty pounds, and the workman is at considerable charges from time to time in providing new tools for new descriptions of work which he is required to execute, and in replacing such of the old as become unserviceable. Even the bricklayer's labourer comes to work with his own hod and shovel. Every man is clothed, better or worse, and must find his subsistence in advance until the week's end when his wages become due. Thus in many trades, what appears to be nothing more than the wages of actual labour, is in fact a profit upon capital, part of which must be devoted to replace that capital as it is expended. Moreover, an expense has been incurred in the instruc-

tion of the workman, and the capital so expended must also yield a profit. It seldom happens, however, that the workman advances or could obtain what is necessary for his subsistence until the work he is employed upon is finished, and the article ready for sale. The labourer who tills the ground, for instance, has seldom wherewithal to maintain himself until the harvest is reaped, and the produce sent to market and paid for. In manufactures, the case is the same. The workmen receive from the master, or capitalist, the raw material, or the material after it has undergone a certain degree of preparation, which they either at once prepare for the use it is intended to answer, or carry through some one or more stages of the process necessary for the purpose. For this labour, whether the article be completely fitted for use or not, they are paid immediately in wages by the master, who has to wait for the return of the money until the article is sold and paid for.

Manual labour, however, is likewise performed by persons who own the capital which is employed in conjunction with their labour. In such case, since the individual is both master and workman, the remuneration he obtains is greater: he enjoys what are usually two distinct revenues, belonging to two distinct persons. The excess beyond the gains of other labourers is to be ascribed not to mere operative labour, but to capital, and to his industry in quality of master. The difference only, after deducting what is due to these, is the reward of operative labour.

The inquiry now is as to the reward of operative labour, separate from that which is acquired in the quality of master, and through the employment of capital.

The circumstances which determine the amount of the earnings which the working classes obtain, thereby operating directly on their condition, and the means by which that condition may be improved, present subjects of the highest interest, and of the greatest public importance. The class whose interests are involved, probably exceeds in number all the other classes together in England, while in other countries it comprises a still larger proportion of their population. Not only is the class greater than any other, and the effects

more extensive of any measures adopted respecting it, but the causes to be operated upon and the evils to be remedied are of a more formidable and difficult character than almost any other ; at the same time that the suffering is more intense which may be mitigated or aggravated by the adoption of such measures. But while the class is too large to be greatly benefited by any exertions in its favour which can be made by the others, it is ill able to assist itself, and its ignorance and prejudices often stand in direct opposition to those measures which would most of all conduce to its interests. The opinions that are held on the circumstances which determine wages, whether right or wrong, are never inoperative. The mighty interests involved cause them to be always in action, either for good or evil. These opinions exercise a powerful influence on the prosperity, as well as on the peace and happiness, of society. If just, they may lead to the introduction of such measures as may contribute in a high degree to advance public wealth and the interest of the poor ; at the same time that they may tend to the satisfaction of the masters and the content of the men, by showing that wages are really determined by natural circumstances, of too powerful a character to be much influenced either by legislative enactments, or by any attempts or combinations of masters or men. On the other hand, erroneous views on these points may frustrate the best concerted measures for the public good. Turbulent men may take advantage of such errors to inflame the passions of a misguided populace, by representing the lowness of their wages, and the poverty of their condition, as owing to corruptions of the state, or to wicked combinations of employers, taking advantage of their ignorance or necessities to impose unequal terms upon them, in order to enrich themselves. Such errors may disturb the public peace, may lead to the destruction of property, and to drying up the sources of national prosperity. Or, if not carried to this extent, they may lead to the regulating of wages by law, or by combinations amongst workmen. But the regulation of wages by law or combination, though it may do incalculable mischief, can seldom do good. It may secure to the labourer from his employer that just remuneration for his toil to which natural circumstances entitle him ; but it is impossible for such regulation,

by any direct act, to increase the fund for the payment of wages. It may effect a partition of that fund different from what would take place if left entirely free; but as much as it may add to the wages of one class, it must diminish from that which is really due to another, and from what that other would receive, if not so prevented.

Extreme poverty is a condition which men dread with a sensitiveness of feeling almost instinctive. When we look at poverty only in the bodily and mental suffering of the individuals who are subject to it, and even when we add its consequent deterioration of their physical and moral energies, we see but half the mischief it produces. Poverty draws down its curse, not only on the wretched beings immediately subject to its influence, but on the whole society which suffers its existence. It exasperates the evil passions of our nature, and smothers the germs of every generous and noble sentiment. The prevalence of vice is intimately connected with poverty, from the temptations to the violation of right which want creates or heightens. A certain degree of privation among the inhabitants of a country seems incompatible with a due civil subordination, and with an intellectual and moral education. The sourness of disposition which it engenders, the envy and enmity it excites against those who are favoured by fortune, the obtuseness of intellect which passion and ignorance, occasioned by a want of moral culture, produce, set mankind at variance with each other, raise up as it were a state of civil warfare in society, and compel every man to maintain a constant attitude of defence. These mischiefs are the result of an inability to acquire better knowledge. They extend their baneful influence to the whole circle of society, and detract from the happiness of those who are exempt from the immediate operation of their cause as well as of those who are subject to it. In the same degree that vice is to be shunned, in that same degree is a state of privation to be dreaded which has a tendency to excite it. The effects of poverty, again, are not limited to the party directly suffering from it, nor do they terminate with the society to which he belongs, they descend as an inheritance to his posterity, and extend to society for generations to come. The contraction in the physical, intellectual, and moral powers which extreme destitution produces on the parent, causes a like

degeneracy in his offspring, and entails misery upon one generation after another. If man is interested, as has been said already, in the welfare and advancement of his species, we ought to strive by every means in our power to ward off extreme poverty, not only from ourselves and our children, but from others also. The fetters which it imposes are too heavy to be shaken off by the unassisted efforts of the poor themselves. None but those of strong natural talents can be expected to succeed in so difficult an enterprise; individuals of ordinary abilities can only be emancipated by the philanthropic efforts of others, assisting their own exertions.

In endeavouring to improve the condition of the working classes, it is proper to look to the causes of their poverty. These causes have not always been well understood; and it cannot be denied that erroneous views respecting them have frequently been acted upon. But when the real causes of their suffering are ill understood or misconceived, and while those who attempt to remove them are working as it were in the dark, it might happen that, in endeavouring to advance the welfare of the operative part of the community, they may aggravate the sufferings which were meant to be relieved, and counteract the proposed end by the very means adopted to promote it. If, however, such lamentable results should not ensue, yet while these causes are not distinctly perceived, and much more while they are misapprehended, we must expect to find the friends of humanity bewildered in their efforts, the measures undertaken indecisive, without a common object, or concert of operation, and in a measure powerless in their consequences. On the other hand, when these causes are clearly understood, the proper means of remedy may be devised, and such measures perceived as may safely and successfully be adopted to insure desirable results, and unite all endeavours in their attainment. From the extensive operation of general measures affecting the working classes, an error as respects them, if put into practice, might prove abundantly fatal; and hence the greater necessity of cautious examination and a clear perception of the causes of the evil, in order to discover and judge of the means of remedy.

The poverty of the lower classes has resulted, partly from



political causes, as from vicious civil institutions, or from false and corrupt legislation and administration ; and partly from the vices and neglect of the higher classes of society. But more directly than to either of these, is their poverty to be ascribed to the natural and original state of ignorance and destitution from which the human race has sprung, with its burthen of perpetual labour upon it, and to the weakness, ignorance, prejudices, and vices of their parents as well as of themselves. The great body of the poor have not *become* poor ; they were always so. Neither they nor their ancestors have ever been otherwise. It is hardly more than two centuries since our peasantry were serfs attached to the soil, and the property of its owners.\* To this hour the peasantry throughout the greater part of Europe remain in this condition, and it is scarcely beyond the western margin of the continent that they have attained to freedom. A few amongst our working classes may have descended from persons in better circumstances ; but the great majority have been poor for a longer period than any records or tradition can reach. It is, then, not a matter of wonder that they remain so. A people born poor cannot easily acquire riches. The first steps of advancement are proverbially difficult. It is not in the nature of political institutions to make the people rich, and it were monstrous to blame these institutions as the main cause of their poverty. The action of government on wealth is of a *negative* and not of a *positive* kind. Riches can be acquired only through individual exertion,—through industry, intelligence, and frugality ; aided, indeed, *negatively* by the security which civil institutions confer, and the personal freedom of action which they preserve. But riches are not a product of government. When did it ever create a single article of wealth ? So far from creating and accumulating riches, governments have done more in the way of squandering, dissipating, and destroying wealth than all other spendthrifts put together. “Government resembles the wall which surrounds our lands ; a needful protection, but rearing no harvests, ripening no fruits. It is the individual who must choose whe-

\* The last claim of villanage recorded in our courts was only in the 15th James I., 1618.

ther the enclosure shall be a paradise or a waste." \* The lowness of the remuneration of common labour proceeds, chiefly, as we shall see by and by, from natural circumstances. It must, however, be allowed that political regulations have often aggravated the difficulties of natural circumstances, and increased the mischievous tendency of the weakness of human nature, and so entailed on the poor a more abject state of poverty than that to which they would otherwise have been subject. Such regulations ought to be removed. But measures of state policy are beyond the control of common workmen. It is fortunate for them that they are so; since, being incompetent to their direction, they would, by interfering, make their condition worse. It is their wisdom to accommodate themselves to existing circumstances, and do the best with things as they find them.

From the natural condition of destitution in which man is brought into existence, he is to be raised to that of comfort and affluence, by his own exertions of industry and talent. Until these exertions have been successfully made; until property has been acquired, and those advantages and comforts obtained which previous labour affords; he must necessarily continue in a state of privation. As the natural condition of mankind, this has always been the case in every age of the world, and, in the nature of things, always must be. It is on their own exertions that the lower classes must chiefly depend as the main source of their welfare, and the means of their advancement;—on the wisdom with which they govern their own actions, and the energy with which they pursue their objects. These are in their own power, though political measures are beyond it. They are too large a body to be much benefited as a whole by any efforts that can reasonably be expected to be made for them by others. Indeed, some kinds of assistance which have been afforded, and which have weakened their dependence on their own exertions, have made them more dependent on others, and caused their poverty to be greater and more humiliating.

The unfortunate condition of the working classes proceeds from two circumstances; first, from the smallness of their earn-

\* Dr. Channing's Discourses, &c. p. 156.

ings; and, secondly, from their usually not possessing property, the earnings of labour are in consequence their only source of subsistence.

Again, the smallness of these earnings, and especially of the earnings of common labour, results from three causes; first, the actual poverty of the produce which common workmen's rude and unskilled labour creates; secondly, the largeness of the share of this produce which goes to the other parties in the work of production—the landlords and capitalists; and lastly, the disadvantageous circumstances under which the exchange is made of this produce for other articles; in other words, the low price at which an extreme competition on their side compels them to sell the produce of their own industry, and the relatively high price at which the want of an equally active competition on the other side compels them, with the money, to buy the goods or services of other persons for which they have occasion.

From these causes of their poverty, therefore, we perceive the means to be aimed at in effecting an improvement in their condition. These are the opposites to the causes by which their condition is depressed. They consist, first, in increasing the productiveness of their industry, or the quantity and quality of the objects it creates; secondly, in lessening the shares of these objects which go to the other two classes concurring in their production, in other words, in lowering rents and profits; thirdly, in altering the action of competition so as to turn it more favourably to their interest; that is, equalizing in a measure the rewards of different kinds of labour; and lastly, in endeavouring to acquire some property for them, or rather, assisting and inducing them to acquire property for themselves.

The mode by which the productiveness of the industry of the lower classes may be increased is, by greater exertion, superior skill, better tools, or tools which require less art in using, and, consequently, less waste of time and materials in acquiring the skill requisite for their use. These circumstances have already formed the subject of our consideration, and, consequently, do not need to be stated afresh.

It is sometimes made a matter of complaint that the labourer receives such a small portion of that produce which his labour so

eminently contributes to create; and this scanty remuneration of labour, and the consequent poverty of the working classes, are sometimes attributed to oppression or misrule. Such complaints, when alleged as ground of discontent with the existing order of things, or with the conduct of employers towards their work people, are seldom well-founded. The limit to which wages can rise is determined by the productiveness of industry. It can never exceed the whole produce which labour, assisted by land and capital, creates. In fact, it must always be less than this, for something must go to replace the capital expended in production. It is plain, that if the labourer retain to himself the whole produce which his industry procures, whether this be great or small, there can be no ground of complaint against any other class of persons, or against any established system of society. Take the case of the fisherman who owns his boat and tackle, and from the produce of whose labour no deduction is made for the benefit of any other class. All the fish which he catches is his own, and he may either consume it himself or dispose of it as he pleases. If he be at liberty to sell it in a free and open market, and where the best price can be obtained, it is impossible to allege complaint against any one. The few fish which he may be able to catch, or the low price which they fetch in the market, and the scanty livelihood he may be able to procure with the money, may, no doubt, be a cause of regret, but cannot be of complaint. So in other departments of industry, where deductions are made from the gross produce which the labourer creates, for rent and profits to the landlord and master. If industry be free, the workman at liberty to follow what occupation he pleases, and to buy and sell where he finds it most advantageous; so that rent, profits, and wages, are determined by nothing but free and open competition; the labourer gets the whole reward to which he is entitled, and which any system of society can give him, that respects with the same scrupulous equity the rights and liberties of every class. In such case, in order to judge in any individual instance, whether or not there be ground of complaint, as to the proportion abstracted, we have only to compare this proportion with that which competition, under the existing

condition of things, causes to be abstracted in the great majority of other similar cases.

When the workman bestows his labour upon any materials, he becomes entitled to a portion of the commodity created, or, what is the same thing, to a portion of its value. But when the master has paid him the stipulated wages, the master has thereby purchased the labourer's interest in the commodity, and henceforth it is wholly the master's property. What-  
ever is the share of the commodity, or commodity's worth, which, in the division between the master and workman, comes to the workman, is the reward of the operative labour by which the commodity has been created. In considering the reasonableness of the amount of the rewards of operative labour, this reasonableness, or the contrary, may, perhaps, be more easily estimated by looking to the *proportion* of the commodity, or its worth, which the labourer receives, than by attending to any other circumstance.

In a state of freedom of industry, the rewards of operative labour in every separate branch are regulated by the same circumstances that regulate the reward of the agency of the master; and, in short, of every other person in whatever department he may be engaged; namely, the ratio of the supply of the *particular kind of labour* performed to the demand there is for *that kind*. In the struggle between master and workman, the same as in the struggle between buyer and seller, it is not any principle of reasonableness or equity that determines the conditions of the bargain for wages. The workmen endeavour to get as much, the masters to give as little, as possible; but it is the relation of the supply to the demand subsisting at the time that determines each party to accept or refuse the terms which may be proposed by the other, and thus ultimately fixes the prices both of labour and of goods; while the costs of producing labour itself, or of raising up and bringing to market fresh labourers, affect these prices only as they are the necessary conditions of the permanent supply of labour.

As a constant competition is kept up amongst the operative labourers in their different occupations, which, though it never establishes an absolute equality, yet has a constant tendency to

bring to an equality the advantages and disadvantages of the different branches, we may expect that, in a state of freedom, the workmen in all of them will ultimately be nearly upon an equality. In such case, as the rewards of labour would be equal in every class, if the industry of any one class should be more efficient than that of another in producing a large quantity of excellent commodities, this will make no difference in the rewards of the labour of that class, since competition will cause the articles to be sold at a proportionately cheap rate. On the other hand, if the industry of any other class be comparatively unproductive, neither will this make any difference in the rewards of its workmen; for the production of their industry will be dear, and exchange at a high rate, corresponding with the scantiness of its produce. A day's work in the occupation in which labour is efficient will exchange for precisely a day's labour in the inefficient occupation. The whole industry of a community, and its whole produce, may be compared to those of one man, and the circumstances of this man will be affluent, or the reverse, in proportion to the *general productiveness* of his industry; not to the productiveness of any one or more kinds of the industry he exercises. So, in like manner, a community is affluent, or the reverse, according to the productiveness of its industry at large; it is interested in the productiveness of every branch, and derives benefit or suffers as a whole, and throughout all its classes of consumers, from the increase or falling off in the produce of every one of its branches; and this in proportion to the magnitude of that falling off or increase. The manufacturer and merchant are interested in the productiveness of agriculture; not indeed that husbandry should afford high profits to the cultivators; or high rents to the landlords, but that it should yield a large and excellent produce. So, on the other hand, the agriculturist derives benefit from the efficiency of manufacturing and commercial industry; by which the commodities supplied become plentiful, good, and cheap. He has no interest in the manufacturer and merchant gaining high profits, part of which he himself must pay; but the abundance, the excellence, and

cheapness of their goods, is a positive advantage to him, and without alloy.

Agriculture, as we have before remarked, is that branch in the productiveness of which the lower classes are most deeply interested. They are more particularly interested in the productiveness of this branch, both on account of its magnitude, and because its produce forms the largest portion of the consumption of these classes. If agricultural industry be comparatively sterile, whether from the poverty of the soil, or the incompetency of its cultivators, the price of its produce must rise in proportion to its scarcity, in order to establish the equality of rewards of labour in the different departments; and the dearness of the produce will depend precisely upon the sterility of the industry.

If there were no relative superabundance of agricultural labourers, the real rewards of labour in any state of society would be indicated by the return of agricultural industry on the poorest land in cultivation at the time, and which, consequently, would not be subject to rent, after allowing for outgoings and for the customary interest on the capital employed in its cultivation. After these allowances, the produce which would remain would be in part consumed by the cultivator and his family, and the remaining part exchanged for other necessities and comforts. The real rewards of labour would thus be exhibited in the quantity of produce consumed, and the quantity of other things purchased with the surplus. To estimate these rewards in money, in corn, or in any other single commodity, would afford no criterion by which the condition of the labourers in different countries and in different ages might be compared. To form an exact comparison, we must take the quantity and quality of all the different articles consumed by them,—of food, of clothing, of fuel, and of every other item of expenditure. With every change in the quantity or quality of any one of these items, unaccompanied by a change of corresponding magnitude and in an opposite direction in some other item, these rewards would become greater or less, and the condition of the labourer be improved or deteriorated.

We have seen that poor land is brought under tillage, because

the people possess the power of cultivating such land with success, and because its cultivation is necessary to furnish the amount of supply which they require, and are able to pay for towards their support. If either population were less, or the efficiency of its industry inferior, lands of better quality only would be cultivated. If population were still greater than it is, or the efficiency of its industry superior, lands of still less native fertility would be brought into cultivation. Thus there being two circumstances—the amount of population, and the efficiency of its industry, on which the quality of the least productive land which shall be cultivated depends, it is necessary that we take, as the criterion of wages, the produce raised, and not the quality of the soil. When the efficiency of industry remains the same, the condition of the labourer, so far as relates to that portion of his expenditure which is devoted to the purchase of food and other raw productions of the soil, becomes deteriorated with every addition to the population, and consequent necessity of resorting to soils of a more ungrateful character. But, as regards the other portions of his expenditure, his circumstances are not injured by such additions: most commonly they are mended. Again, when the population remains the same, his condition is improved by every increase in the efficiency of labour, whether in agriculture, or in any other department of industry whose products he consumes.

Once more, take any other land of better quality, the rent of which is determined by open competition between tenants and landlords, and the proper rewards of labour may, in like manner, be exhibited by the produce of this land, the same as in that of the poorest land, only making the further deduction from its produce of the rent which is paid. After this deduction is made, the remaining produce constitutes, in both cases, the natural and full reward of labour, under existing circumstances. If the labourer get the whole of this remaining produce, he gets the utmost that his labour can procure under any system of legislation or polity, which respects the rights of the other parties. Again, if any labourer in manufactures or other employment, earn by his industry a sum which would purchase the quantity of produce that the agricultural labourer on the poorest lands procures, he, too, procures the full reward to which he is



entitled. If he get more than this, unless he possess greater skill, or more time and expense have been bestowed in fitting him to exercise his calling, he receives more than what an equal degree of competition in all classes would award as his share ; he charges other men a higher price for his labour than he gives for theirs ; and does that to them which he would be unwilling that they should do to him. If he get less than this, competition, or circumstances of some other kind, deprive him of the equal reward of his labour.

If, then, the whole produce of the poorest lands under cultivation, after deduction for profit of capital, determines at all times the natural and just reward of the labourer, and which it cannot and ought not to exceed, because any such excess must be an unequal advantage gained at the cost of some other person ; this fact will show the severe pressure on the poor, of those laws which prohibit the free trade in corn, and the other produce of the soil, or fetter, by duties or restrictions, their importation from foreign countries. These laws, by prematurely forcing cultivation on poorer soils than would otherwise be employed, operate directly in diminishing the reward of labour, by diminishing the productiveness of national industry, and so cause a most important deterioration in the condition of the people, but more especially of the lower classes.

Since the poverty of the lower classes results mainly from the pooriness of the produce of their own rude and unskilled labour, no method promises so much to improve their condition, and at so small a cost, as instructing them in the arts of industry. Education holds out the prospect of more certainly and effectually than any thing else raising the labourer to that level in society which becomes an intelligent being, and to that state of comparative independence and comfort which consists with the full enjoyment of life. It is not, indeed, that instruction which is limited to reading, writing, and arithmetic ; a merely literary education, which, if pursued no further, although it may afford the means of amusement to the possessor, is in itself comparatively unprofitable,—the key of knowledge, not knowledge itself ; but the education which is here meant is of a more extensive kind, and one whose results are of substantial utility, which comprises the conduct

of life, forming habits of virtue and application, and giving the means by which the individual may earn, by honest industry and the exercise of his natural faculties, a comfortable and reputable subsistence. This is the education most essential, and most imperatively called for by a being brought into the world in a state of total ignorance and helplessness, who has everything to learn, and must be guided at every step. If to this sort of culture, the individual can add scientific or literary acquirements, they cannot but be calculated to elevate and honour a humble station; to make their possessor a more fit associate for his superiors in rank; to strengthen and excite his powers of industry, by combining theory with practice; to enlarge his usefulness; to enlighten and guide him in the conduct of life in every relation in which he stands. Such are the views and objects which a rational philosophy and an enlarged philanthropy would inculcate on the poor.

Poverty and wretchedness have their source in ignorance;—ignorance both of the industrial arts, and of the moral connexion of things. From the same pernicious source are derived both vicious propensities and criminal acts. No maxim can be nearer the truth than that knowledge is power. As respects industry, it is the source of wealth; as respects morals, it is the source of virtue, which leads directly to that peace, order, and security, which conduce to public opulence. Vice is scarcely anything more than another name for ignorance; an ignorance of consequences, and a miscalculation of their value. It is a want of perception of the real connexion between itself and suffering, and the absence of an impressive conviction that the one is infallibly followed by the other, as cause is by effect. Of all obstacles to the advancement of the poor, their ignorance is the greatest and most formidable. It is impossible to assist them with effect, unless they comprehend the plan proposed for their advantage, so as to co-operate in carrying it forward.

But though education stands thus pre-eminent amongst the means of bettering the condition of the poor, there are, notwithstanding, reasons which lead to the conclusion that it ought not to be undertaken by government; that is, effected by com-

pulsion, for its expense, in such case, must be defrayed by compulsory contributions on the people. This, however, is a question of jurisprudence, to discuss which would be out of place here, and which will therefore be passed over. Let governments set industry and the means of instruction free from the fetters in which they have bound them, by monopolies, privileges, exclusive rights, fiscal regulations, and the like; the rest may be properly left to the exertions of voluntary beneficence.

Simple or rough labour, may be performed by any person possessing health and strength of body. There is neither difficulty nor expense in acquiring either the ability or the proper qualifications for following the calling of a common labourer. The man, while he is employed about the easier, gradually learns the more difficult parts of his business, and the earnings of his labour maintain him from his first beginning to work. There is no apprenticeship required; there are no legislative or trade regulations or restraints to prevent persons not regularly qualified from following this occupation; and thus, as no one is precluded who desires to engage in it, competition amongst this class of labourers is in the fullest degree of activity. The competition here is not the voluntary competition of men desirous to work at common labour, but the forced competition which results from being unable to follow any other occupation, and unable to subsist without labour. Not only is the class of labour in question burthened with all those who, having been born poor, have, in consequence, been disabled from acquiring the ability to engage in any other employment; but it is the common receptacle to which the unfortunate of every trade descend, being continually increased by labourers from every other department of industry, through the fluctuations of events, which deprive men of the means of continuing to gain a livelihood in those employments to which they have been accustomed, and which thus drive them to common labour as the only other occupation they are able to follow. From this superabundant supply of hands, this sort of labour in almost every country is, and always has been, poorly paid. The wages earned seldom much exceed what is required for procuring those things which are necessary for the support of animal existence.

But if the market for common labour is overdone, it does not follow from the excessive supply of this class of labour, and its consequent low rate of remuneration, that other classes of labour should be badly paid. On the contrary, the inadequacy of its recompence causes other workmen, who are thereby enabled to purchase it at too low a price, to be highly remunerated.

In the other kinds of operative labour, where greater skill is required in the workman, or more expense is necessary to acquire that skill, his wages are universally higher or lower in proportion as the competition of other workmen in the same class is more or less under restraint, and the supply of labour of that class kept beneath or above the demand for it.

Lastly, the circumstances of the lower classes may be improved by equalizing, in a measure, the rewards of different kinds of labour. To increase the productiveness of their industry is most desirable; but when this can no longer be done, to lessen the emoluments, without lessening the productiveness, of those classes whose services they have occasion to purchase and pay for, is an object of the next importance. If we would enrich one class, we must always impoverish others, unless it can be done by increased production. The industry of the lower classes is disadvantageously circumstanced in the exchange of its produce for the produce of that of others. To place them in more favourable circumstances in this exchange, the existing relation of the supply of the different kinds of labour to the demand for them must be altered; the supply of what are now the peculiar products of their industry must be lessened, while the products of the industry of the other classes must be increased: on one side, the supply is relatively too abundant; on the other, it is relatively too scanty; and the consequence is, that wages in the former instance are too low, and in the latter too high. The assertion that wages are too high in some classes will, perhaps, be scarcely admitted; but it should be observed that they are too high only *relatively*, not *absolutely*. We cannot wish to lower the condition of any class; but when their superiority proceeds, not from greater productiveness, or a higher excellence in the products of their industry, but from a relative advantage in the

exchange of their products with those of others, a high remuneration on one side is equivalent to a low remuneration on the other; the high remuneration must be brought down, in order to raise that which is too low, and to place both on an equality. Everything which should render more easy and less expensive the acquisition of the necessary qualifications for following the different trades, whether they consist in the ability of the workman, or his freedom, would tend in an eminent degree to relieve the glut of common labourers, and to bring down the wages of those trades which are too high. The inability of the common labourer to perform any superior kind of work, and the multiplication of labourers of this kind beyond the numbers demanded by the work that is required to be done by them, is the chief cause of their poverty. The use of machinery is highly conducive to the welfare of every class of society, but is more especially so to the lowest classes. In the employment of machinery in general, but little art or skill is requisite, and the necessity of great dexterity of hand is commonly superseded. In new machinery, and new processes in the arts, as the knowledge of their use and practice must be learned by some one, they may as readily be acquired by a common labourer as by a superior workman. It is thus that employment is afforded to a greater number of unskilled labourers, and to children even of tender years.

If it be doubted that the working classes can be benefited by reducing their wages to a common level, let it be recollected that this is rather an equalization than a reduction. If the wages of the superior classes of workmen were brought nearer to those of the inferior classes, it would not be an equality of *poverty*, like that to which the common labourer is at present subject. As much as certain classes are lowered, so much will other classes be raised in consequence. Every workman consumes as much as he produces; not indeed the precise articles themselves, but the equivalents which he gets in exchange for them. If any workman should have his wages reduced, he would find, if all were at the same time reduced to a common level, that in the purchase of the labours of others with his own, the price of some would be raised, while that of

others would be lowered. His money would go further, or not so far, in the purchase of others' labours, in proportion as it was more expended on such as were lowered, or on such as were raised. If the larger expenditure were on such as were raised, he would sustain a still further disadvantage beyond the reduction of his own wages. If, on the other hand, the expenditure were more on such as were lowered, he would derive some degree of compensation for that reduction. But an equality of wages would tend so much to increase the produce of industry, by preventing a want of employment, that even those whose wages would be reduced would probably sustain no injury on the whole.

One principal mode by which an equality in wages may be brought about, by which excessive wages may be lowered, and the condition of those labourers who are the worst paid consequently ameliorated, is by the most unrestricted freedom of industry and commerce. If industry were freed from the trammels with which a false legislation and rules of trade founded on erroneous and interested views have shackled it, the benefit would redound to all, but more especially to those classes whose wages are the lowest. Industry cannot adjust itself with ease and rapidity to the constantly varying demands of the market, and the transition must be quicker and the difficulty experienced be greater as the market is more limited. There are always particular employments which in some places more than others are overburthened with work people, whilst in other places they are not so much overstocked. Let the market be enlarged to comprehend places of both descriptions, and the over-production in the one will compensate for the possibly insufficient production in the other. Let the foreign market be opened, and the varying fashions, or the excessive production of particular articles, in one country, will only cause an exportation of those articles to other countries, where the fashion has remained unchanged, or where production in that particular article has not been excessive. Thus the workmen will not be compelled to change their occupations; to abandon employments in which they have been brought up, and have become more skilled and expert than others, or to begin the world afresh. Fixed capital in buildings, machinery, and pre-

misers adapted to the business, will still be useful, and though the profits may, in some degree, be lowered, they will not be altogether lost. In a small extent of country, the changes of demand act more violently in altering prices and deranging industry, and gluts of particular commodities are of more frequent recurrence, than in more extensive countries. Nothing contributes so much to an exact apportionment of the supply to the demand, as an extended market; and nothing acts more favourably in preventing the derangement of industry, and causing a steady and ample supply from every branch of it, as well as an equality in the remuneration of its different branches, as such a market. But while this freedom of industry causes the produce of a country to be augmented to the utmost, and benefits every class, it has a more direct and especially beneficial effect on the lowest remunerated classes. The opening of a larger market, which permits the transport of goods from one place to another, causes such to be transported as exist in superabundance in the places where they are produced, and goes directly to relieve the glut of commodities; to afford renewed employment to the workmen, and better wages to those that were previously depressed. On the other hand, in what do the commodities obtained as equivalents in commerce, and brought back in exchange for exports, consist, but in such articles as exist in scarcity in the place to which they are brought, and afford unequally high wages to the workmen employed in their production there? While thus the consumer is enabled to buy cheap, things for which he would otherwise have to pay dearly at home, the producer of such things as are the worst paid for at home, is most essentially benefited by the opening of a larger and better market for his produce. Such are the advantages which would flow from a universal freedom of industry and of commerce in every country;—advantages which Providence seems to press upon our acceptance, but which a perverse legislation denies us. Take as an example the weavers of this country. Their condition would be most essentially benefited by this freedom. If the duties on the importation of foreign corn, and of every other article, were repealed, it is the produce of the industry of the weavers that must be exported to pay for the corn and other

foreign productions that would be imported. The competition with foreign productions would be injurious to many other home branches of industry, and reduce the wages of their workmen very materially. But while in this way a larger quantity of goods would be obtained from abroad than could be produced at the same cost at home, the weavers would have nothing to fear from this competition; their wages are already lower here than elsewhere; they have everything to gain from the export which would take place to pay for the goods imported; which export will always be of such articles as are produced in the country at the cheapest rate; that is, the rate of the remuneration of their own industry, the most sparingly recompensed of all. They have everything to gain likewise, as consumers, from the foreign competition which would reduce the prices of provisions, and of those other domestic productions which their brethren at home offer at a higher rate than that at which they themselves are able to sell the produce of their looms to others in return.

But to pass to another subject. The working classes must ever remain in a state of comparative poverty whilst they remain destitute of property. To the acquisition of property they must look, as one of the chief means of raising their condition. The possession of a certain quantity of property is indispensably necessary to the support of human life, and the successful prosecution of labour. We cannot exist without clothing and lodging; without tools and implements to assist our labour; without knowledge and skill in the arts of industry to direct it; and without food by which the labourer may be supported until the process of industry or the operation of nature shall be completed which is to furnish our supply, or until something can be earned. If the ground is to be tilled and the seed put into it, the harvest must be waited for, and we require a store of food and clothing to support us until the seed shall spring up and be fit to gather. What, other than poverty, can be expected by that man who has no knowledge of the arts of life, or, even if he have this knowledge, when he must hire his lodging, his furniture, his tools, and pay for them out of his earnings, with, perhaps, interest of money advanced upon the pledge of his clothing; or a repayment with a large profit for



the advance of subsistence until his labour is completed and his earnings come in, as is the custom in some countries? With such deductions from the earnings of labour, a man cannot expect to have a great deal left for himself; much less for his comfortable support. One may affirm that a moderate enjoyment of life cannot be anticipated unless a man have of his own, a dwelling, furniture, clothing, tools, and a supply of food sufficient to maintain him until the returns from his labour come in; or property yielding productively in some other shape an equivalent to the payment which must be made for the hire of these. We frequently see artisans and others, without any property, gaining sufficient for a comfortable subsistence by their labour. But in these instances we generally find, that they have served a long and expensive apprenticeship, and are thus enabled to procure a higher rate of wages than they otherwise would have been able to earn. Some persons, indeed, have wages given them from kind feeling or other motives on the part of their employers, which are rather proportionate to their wants, and for the purpose of enabling them to maintain themselves in comfort, than to what they might be had for, if their pay were regulated only by the demand and supply of their labour. These cases, however, do not invalidate the general principle that the earnings of common or unskilful labour are insufficient, under natural circumstances, to yield a comfortable maintenance, and to lay by a part to accumulate into a fund in reserve for that period when infirmity, or unexpected calamity, shall cut off the resource of industry.

Seeing, then, that without some property the working classes cannot rationally expect to be able to support their families in comfort, it is of importance that the conviction of this fact should be impressed on their minds as a matter of duty; and that it is on their own industry and frugality their welfare must mainly depend. With such views, we cannot too much applaud the institution of savings banks, which afford to them a secure deposit for the smallest savings, and with the advantage, which could in no other way be procured, of their being made immediately productive of interest. Another improvement, within the power of the legislature to establish, which would likewise

materially conduce to the advantage of the poor, might be effected by simplifying the legal forms and removing the duties attending the transfer of real property, with a view of affording greater facility to the poor in acquiring the ownership of the cottages they occupy. The rent of cottages is proportionately higher than that of houses of a better kind, from the great difficulty there is in collecting the rents, on account of the poverty of the tenants, and the continual losses to which the proprietors are subject from their inability or want of principle to pay. The rent, therefore, which a labouring man saves, by being his own landlord, is greater than what the purchase money of the cottage would yield him if invested in any other shape. Besides, if once possessed of his cottage, he would often have opportunities and inducements to improve it, nor could he easily squander such property away by little and little; and the evident advantages of its possession would induce him to make great efforts of industry and economy to retain that possession. One might enlarge on other advantages which would arise to the poor from their being the owners of the dwellings they inhabit, but they are so evident that it is unnecessary to say more upon the subject. The progress of society, and the benefits which result from a great subdivision of employment, have a natural tendency to do away with the smaller farmers and manufacturers, and to cause business to be carried on upon a larger scale; thus establishing only two industrious classes, the large capitalist and the workmen. The only resource, therefore, that is left to the workman, to preserve himself from the poverty and dependence which such a state of things is calculated to bring about, is, to acquire property to yield him something in addition to his earnings.

If the views which have now been presented of the circumstances that determine the rewards of labour, and of the means by which the condition of the poor may be improved, be well-founded, they are sufficient to enable us to correct many of the erroneous opinions generally prevalent with regard to the circumstances by which wages are determined.

It has been said that the wages of labour depend on the prices of the necessary articles of the labourer's subsistence. This position must be admitted to a certain extent; but not

universally. It is not true under general circumstances ; for the prices of provisions have commonly no influence on the rewards of labour.

The opinion that wages are determined by the expense of the labourer's subsistence is countenanced by the fact, that in most countries wages are high where provisions are dear, and low where they are cheap. And again, wages are commonly higher in great towns, where living is expensive, than in country places, where expenses are lighter. But these differences in wages in different countries and places are caused by the circumstances which have been already spoken of as determining wages ; while in great towns this additional cause operates—that the labourer would remove to the country, if his wages were not so much higher in the town as to compensate for his heavier expenses. Another cause why the rate of wages appears to depend on the price of provisions is, that the price of provisions is in reality affected by the rate of wages and the wealth of the labourer. They are higher where the labourer is able to consume a large quantity, and lower where he is unable to purchase more than a bare subsistence. No inference, therefore, can be drawn from these facts.

There is a cost attending the rearing of human beings, the same as in producing commodities, and if the returns procured by labour be inadequate to defray this cost, no doubt, the supply of labour can no longer be continued. "The race of labourers would become extinct, were they not to obtain a sufficient quantity of food and other articles required for their own support, and that of their families. This is the lowest rate to which wages can be permanently reduced. The market or actual rate of wages may sink to this rate, but it is plainly impossible it can continue below it. If the labourers did not obtain a supply equivalent to their support, they would be left destitute ; and disease and death would continue to thin the population," until more favourable circumstances should arise which would enable them to obtain the means of subsistence. This lowest rate of wages, beyond which it cannot be permanently reduced, has been called the natural or necessary rate of wages.

The quantity of food and other articles of subsistence which

constitute the necessary rate of wages in any country, depends on a variety of circumstances. It must comprise, in the words of Adam Smith, "not only such things as are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without." The quantity and kind of these things depend, not only on the habits and customs of the people, but on the climate in which they live, and the kind of food which forms the principal article of subsistence; and they must vary in different countries and at different periods, as the habits, customs, and circumstances of the people vary. The habits of the poor of England are very unlike those of the poor of Ireland, and still more opposite to those of the poor of the tropical countries. The habits of our work-people are considerably changed from those of their ancestors two centuries back; they have formed much higher notions of the kind and quality of commodities which are required for their support. Articles which were unknown to their forefathers, or known only as luxuries and superfluities, are now considered as of primary necessity; and the necessary rate of wages has consequently risen.

But the necessary rate of wages, as it depends upon circumstances, and upon custom and habit, is constantly fluctuating; rising or falling as circumstances, habit, and custom vary. Thus, although the actual rate of wages cannot permanently fall below what circumstances at the time and place determine to be necessary to the maintenance of the labourer and the continuance of his race, it may yet do so for a time, as, indeed, it is frequently found to do. If the actual rate of wages, after sinking below the necessary rate, should continue so depressed for any considerable period of time, we might expect that the poor, as they became habituated to inferior living, would gradually lower their opinions as to what are necessities for subsistence; and those things which in their former and superior circumstances were considered as necessities, would no longer be accounted indispensable. In such case, the necessary rate itself would be fixed at a lower standard, and those things only might become indispensable which are actually required for the preservation of the labourer's life and health, and the

bringing up of children sufficient to keep up the number of labourers.

Although, however, there is an extreme point beyond which wages cannot be permanently reduced, and although there is likewise at all times a certain rate which custom and opinion determine as necessary, (not perhaps justly,) and below which, while that rate shall so continue, wages cannot be permanently depressed, yet neither of these lowest or necessary rates of wages constitutes the actual rate amongst civilized nations. The actual rate seems to be much above, and beyond the influence of what is called the necessary rate. This is unquestionably the case with wages in general in our own country; which are determined wholly irrespective of the necessary rate, and from principles of a quite different character.

The rewards of labour taken in all its several branches and as a whole, are beyond comparison higher than the necessary rate of wages, or the expense required in producing labour. Neither at any particular point of time, nor in periods of average duration, has the cost of subsistence anything to do with the actual rewards of labour. All that has hitherto been said with regard to the distribution of the produce of industry goes directly to negative the assumption that the market rate of wages is governed by the necessary rate, and to show that, so far from the rewards of labour being regulated by the cost of producing labour, they depend on circumstances of an entirely different nature. To show how different these circumstances are from the cost of producing labour, it may be permitted briefly to state them here. The reward of labour, then, is thus derived. From the gross produce which industry creates, there are two deductions to be made; first, for rent; and secondly, for profits of capital: the remainder, be it more or less, is the reward of labour. This remainder is greater or less, not according to the cost of the subsistence of the labourer, for it is itself his subsistence, but according to the productiveness of industry; and this productiveness, again, depends on the skill and industry of the community, the freedom of commerce and of individual exertion, and the proper direction of labour. The rewards of labour are in a measure affected by the relation which subsists between

the quantity of capital and the population; and likewise by the quantity of fertile land in relation to the population; for the amount of the deductions for rent and profits depends on these.

When the "Wealth of Nations" was written,\* its author gave his opinion that the wages of labour in Great Britain were, at that time, more than was precisely necessary to enable the labourer to bring up a family. As the reasons he adduced are forcible, and in great measure also applicable to our times, it may be useful to repeat them here. He says, "in order to satisfy ourselves upon this point, it will not be necessary to enter into any tedious or doubtful calculation of what may be the lowest sum upon which it is possible to bring up a family. There are many plain symptoms, that the wages of labour are nowhere in this country regulated by this lowest rate, which is consistent with common humanity.

"First, in almost every part of Great Britain there is a distinction, even in the lowest species of labour, between summer and winter wages. Summer wages are always highest. But, on account of the extraordinary expense of fuel, the maintenance of a family is most expensive in the winter. Wages, therefore, being highest when this expense is lowest, it seems evident that they are not regulated by what is necessary for this expense, but by the quantity and supposed value of the work. A labourer, it may be said, indeed, ought to save part of his summer wages, in order to defray his winter's expense; and that, through the whole year, they do not exceed what is necessary to maintain his family through the whole year. A slave, however, or one absolutely dependent on us for immediate subsistence, would not be treated in this manner. His daily subsistence would be proportioned to his daily necessities.

"Secondly, the wages of labour do not, in Great Britain, fluctuate with the price of provisions. These vary everywhere from year to year, frequently from month to month. But in many places, the money price of labour remains uniformly the same, sometimes for half a century together. If in these places,

\* 1773.

therefore, the labouring poor can maintain their families in dear years, they must be at their ease in times of moderate plenty, and in affluence in those of extraordinary cheapness. The high price of provisions during these ten years past, has not, in many parts of the kingdom, been accompanied with any sensible rise in the money price of labour. It has, indeed, in some; owing, probably, more to the increase of the demand for labour, than to that of the price of provisions.

“Thirdly, as the price of provisions varies more from year to year than the wages of labour, so, on the other hand, the wages of labour vary more from place to place than the price of provisions. The prices of bread and butcher’s meat are generally the same, or very nearly the same, through the greater part of the United Kingdom. These, and most other things which are sold by retail, the way in which the labouring poor buy all things, are generally fully as cheap, or cheaper, in great towns than in the remoter parts of the country. But the wages of labour in a great town and its neighbourhood, are frequently a fourth or a fifth part, twenty or twenty-five per cent. higher than at a few miles distance. Eighteen-pence a day may be reckoned the common price of labour in London and its neighbourhood. At a few miles distance, it falls to fourteen and fifteen-pence. Ten-pence may be reckoned its price in Edinburgh and its neighbourhood. At a few miles distance, it falls to eight-pence, the usual price of common labour through the greater part of the low country of Scotland, where it varies a good deal less than in England. If the labouring poor, therefore, can maintain their families in those parts of the kingdom where the price of labour is lowest, they must be in affluence where it is highest.

“Fourthly, the variations in the price of labour not only do not correspond, either in place or time, with those in the price of provisions, but they are frequently quite opposite.”\*

From what has been here advanced it is unnecessary to say more in denial of the position that “wages are regulated by the prices of the commodities on which they are expended;” a position which we observe to be directly contrary to universal

\* Book I. ch. 8.

experience, from which we find that the mode in which the workman lives is dependent on the amount of the wages he usually obtains, and not the latter on the former.

While, however, it cannot be admitted with regard to industry as a whole, and in a state of freedom, that the earnings of labour cannot permanently much exceed the absolute cost of supporting the labourer, and a family sufficiently numerous to keep up the existing number of labourers; yet, under the baneful influence of false legislation, there was until lately a class of labour in England of the lowest order, which formed an exception to the general rule. The labourers of this unfortunate class were supported in part upon wages and in part upon the poor's rate; they were paid and fed, not according to the value of their labour, but according to the scale of their necessities; sustenance was doled out in quantities just sufficient for their support and no more. They were a sort of serfs attached, not to the soil, but to the parish, from which they could not remove; and might be considered as more than half slaves in a land called free. They had nothing to gain or to hope for from industry, talents, or moral restraint, or to fear from the opposite qualities of indolence, stupidity, and the indulgence of ungoverned appetites. This class multiplied beyond the employment for labour of its kind; and it was not to be wondered at that it should. Unable to acquire skill in the arts of life, by which they might have distributed themselves amongst the classes whose labour was in demand, and with no assistance afforded them towards such an acquisition, they must have remained for ever depressed, while the actual rate of wages which they gained did not much exceed the necessary rate of wages, or that which is required to support the labourer and his family. Happily, the amendment of the poor laws has removed the grievances which bore down this class of labourers, and it is to be hoped they will continue increasingly to experience the benefits which have begun to result from such removal.

A question has been raised as to the effects on the condition of the poor of expensive habits and of elevated notions as to what constitute the necessities of life, and with the possession of which they will be satisfied so as to enter into the marriage



state and propagate their race. On this point, erroneous views have been entertained, which justify some observations. It is considered, that the use of a cheap article of subsistence instead of one that is more expensive, as potatoes instead of wheaten bread, operates injuriously on the interests of the poor, by reducing the cost of raising and supporting labourers, which cost constitutes the necessary rate of wages; and to which, it is thought, the market rate of wages must usually be proportioned. Mr. Ricardo says, "The friends of humanity cannot but wish that in all countries the labouring classes should have a taste for comforts and enjoyments, and that they should be stimulated by all legal means in their exertions to procure them. There cannot be a better security against a superabundant population."\* Mr. M'Culloch observes, "When wages are considerably reduced, the poor are obliged to submit to live on a smaller quantity of necessaries and conveniences, and those, too, of an inferior species, than they had previously been accustomed to use; and the danger is, that the coarse and scanty fare which has thus been, in the first instance, forced on them by necessity, should in time become congenial from habit. Should this, unfortunately, be the case, the condition of the poor would be permanently depressed; and no principle would be left in operation, that could raise wages to their former level; for the labourers could no longer have a motive to lessen the increase of population as compared with that of capital, and, unless they did this, it is quite impossible they could ever emerge from their depressed condition."† These views, it is apparent, proceed on the suppositions, that capital occasions employment, and is the main source of the labourer's prosperity; that an increase of population is usually disadvantageous to the workman; and that the cost of supporting the labourer eventually determines his rate of wages. If all these suppositions are unfounded, (and we have already endeavoured to show that they are,) the conclusions drawn from them will, in all probability, be unfounded also.

It seems strange that economy in expenditure, which in other cases tends so much to the opulence and welfare of the

\* Ch. 5.

† P. 347.

people, should, in the case of the poor, be said to be injurious. If potatoes are a food equally wholesome, nutritious, and palatable, with wheaten bread, why should the poor not avail themselves of its greater cheapness? To deny that advantage accrues from the adoption of a cheap kind of food, is to assume that the earnings of the poor depend upon their *expenditure*; to spend largely in this case is the same as to earn largely; whereas these are two different and totally opposite circumstances, which have no necessary connexion with each other. No doubt the best interests of society are promoted when the rate of wages is elevated as high as possible. But to diffuse a taste for the comforts, luxuries, and enjoyments of life amongst the poor, and to interweave this taste with the national habits and prejudices, would be, without rendering them more happy from the possession of such comforts and luxuries, to condemn them to increased toil in order to maintain that possession,—in itself useless, and without causing any progressive advancement in their condition. What is that state, as respects our temporal affairs, which is most conducive to happiness? Not, surely, the constant enjoyment of the luxuries of life, for then the rich man would be happier than the poor; which he is not. When the animal appetites have been satisfied; when warm and comfortable clothing has been procured; with dry and commodious lodging, and supply of fuel; a man's happiness, as far as outward circumstances are concerned, does not depend on the style and luxury in which he lives, but on the relation which these bear to what he has previously been accustomed to enjoy. If they be equal, it may be said he should be satisfied; if they be better, he may be accounted fortunate. Those habits and prejudices in the poor which are most of all likely to conduce to happiness, are rather such as the substitution of potatoes, in part, for bread, and plain and humble fare for expensive and luxurious living. Extravagance and pride are already the bane of society in the upper and middle classes; much more would they be so if extended to the lower, where the sphere of their action would be so much greater, and their consequences more pernicious. It is not such habits that should be inculcated in the poor; but the reverse. The object should be, to aim at gradual and steady

advancement ; which can only be made through frugality, by saving from expenditure to accumulate into capital. It should be the possession of greater skill and knowledge in the arts of life, the acquisition of scientific and literary attainments, whereby new and additional avenues to employment and opulence may be opened, as well as to enjoyment, beyond the gratification arising from the indulgence of the mere animal desires. These are to be obtained only by economy in expenditure. Beginning with economy, the means will afterwards be acquired of gradually enlarging expenditure, and by a steady and constant progression in the comforts of life, of obtaining from them the greatest enjoyment they are capable of yielding.

There is one point of view, however, in which it is desirable that the poor should be subsisted on a kind of food which is more expensive than what would actually support them ; and for this reason, that in the event of a scarcity of this kind of food, recourse might be had to substitutes of cheaper and inferior kinds which are raised for the use of cattle.

Thus, in the case of the poor of Ireland, who live on potatoes, if a deficient crop of that root occurs, there are few substitutes for it of which they can avail themselves. They cannot resort to corn, which is too dear even in better times for their means to procure. Hence, wheat has often been exported from that country while at the same time the peasantry were dying of hunger. No refuge from calamity is left, they cannot seek safety in the food which has been raised for cattle, and being without resource, famine, with its attendant disease, necessarily ensues. But in England, where bread, meat, potatoes, and beer are the chief articles of the labourers' subsistence, if a deficient wheat harvest happen, recourse is had in larger quantities to potatoes, or other food which has been grown for cattle ; beer is abstained from, and the miseries of actual want are averted. For the same reason, it is desirable that more than one kind of aliment should form the ordinary subsistence of the poor, especially such kinds as are most favoured by seasons of an opposite character, that when a dearth in one occurs the other may be resorted to, which may be expected in such years to yield the more abundantly. In India, where the people live on rice,

which is cheaper than almost every other food, if the rains are deficient the rice crop fails, famine inevitably follows, and thousands perish from want. But if other kinds of food, which should be less affected by a want of moisture, were also in part adopted, some resource would be left if the crop of rice should fail.

Amongst the "expedients for the removal of want from the human family, and the secure establishment of a general prosperity and abundance in its place—a legal and compulsory provision for the poor" stands pre-eminent, if not in beneficial results yet in expense, above all others. Of this kind is the system of poor laws in England. The extensiveness of the operation of this expedient, and the costliness of its character, warrant the expectation of results of the greatest magnitude, and of the most decidedly beneficial nature. It is true, the consequences of this system have proved of the greatest magnitude, but so far from having been of a beneficial character, either in a direct or collateral manner, lamentable experience has shown that it has stood in direct opposition to the dearest interests of society at large, but more especially to those of the poor themselves, for whose sole benefit it was intended.

Of such an expedient it may be remarked, that it creates no new funds for the support of industry, it opens out no new source of employment, neither does it invigorate with new activity, or enlarge and fertilize, the old sources; and that, while it thus adds nothing to the common stock of a country's subsistence, its operation is confined to effecting a different partition of the produce of the old funds. It would, however, be stopping far short of the truth, should we merely state, that it contributes *nothing* to production; for amongst its important features the two facts stand prominent, that it at one and the same time diminishes production, and causes a waste and dissipation of the stock of national subsistence, through a profuse and extravagant consumption; thus lessening that stock, as it were, at both ends.

That these two facts have been realized in practice will be evident if we reflect, that the most idle, dissolute, and worthless, shared in the funds of this compulsory provision as freely as the most industrious, frugal, and deserving; that, consequently, the

rewards of merit were taken away, on one hand, at the same time that men were released from all care or apprehension of the consequences of demerit, on the other. What could be expected by a common labourer, through the utmost exertions of industry, prudence, and economy, in youth and health, but to scrape together at the most a few pounds, to be laid by to support him in sickness and old age? But without all this exertion and self-denial, he would have been sure to procure as much or more from the parish; not, indeed, because he had acquired the fruits of exertion and self-denial; for in such case he would have got nothing; but because he had abstained altogether from exerting himself to procure them, and always given loose to indulgence to the full extent of his means of gratification. What advantage, then, could have been derived from toil, carefulness, and voluntary abstinence, when the most idle and intemperate were as well rewarded? When men have nothing more to hope from diligence, economy, and prudential restraint on the indulgence of appetite, than they will be sure to acquire without such sacrifices, and by self-indulgence to the utmost limit of their resources; when the rewards which ought to attach to desert alone, are dispensed with equal liberality to profligacy, while men are at the same time relieved from all apprehensions of the consequences of such conduct; what is to be expected from them but one uniform career of indolence and licentiousness? It would be contrary to all experience and to every principle of our nature, that a man should strenuously exert himself and voluntarily practise self-denial without a motive, and when the legitimate rewards of temperance and industry are taken away, or are more easily procured without the exercise of either. The course of nature which, in the moral world, awards to vice its penalties, and to virtue its rewards, is here reversed; and it cannot be matter of wonder that in thus turning things, as it were, upside down, disorder and confusion should ensue. Accordingly, the fruits which theory points out as the tendency of this provision for the indigent, have been amply reaped by bitter experience in practice. It has deranged social order, undermined the morals of the poor, relaxed their industry, and led

to a wanton and reckless expenditure of their resources, whenever fortunate circumstances have given them the means of spending.

Again, such an expedient diminished production by frequently causing a stoppage of work. Its funds were applied to support workmen while out of employment; and it thus enabled them to keep up the rate of wages, by obviating the necessity in which they would otherwise find themselves, of submitting to accept such low wages as the masters could at the time afford to offer. Thus business was brought to a stand, and the workmen had no employment, because their wages were higher than circumstances enabled the masters to pay. The general interest, however, requires that workmen should never stand idle, but should either at all times accept such wages as masters can afford to pay, or turn to occupations in which still higher wages are given. It may be thought severe that workmen should be obliged to accept inadequate wages. But however severe it may be, it is of advantage to the public at large. The low wages of one class, by cheapening the goods on which their labour is employed, tend to raise the wages of other classes, by offering greater employment to them through an enlarged expenditure caused by the savings of consumers from the low prices of the goods of the one class. Neither is this all; for it raises the real value of the wages of other classes, when expended on these cheaper goods. Thus an advantage which might accrue to other workmen, and to the community at large, is prevented by the suspension of the employment of these workmen.

We ought not to omit to notice the source whence the funds employed in this way in presenting a premium to improvidence were drawn. Had they proceeded from some original and independent supply, the mischief might have ended here; and we should have simply regretted that they had not been better applied. But this provision for the indigent is not a separate and original source of revenue. Its whole amount is drawn from classes whose expenditure would otherwise have gone in a natural and wholesome channel to support industrious classes of workmen. As much as the levy for this provision is increased, so much must employment be withdrawn from these classes.

Yet these workmen, deprived in part of the means by which their maintenance would otherwise have been secured to them, are, notwithstanding, compelled to contribute to this provision for indolence and profligacy. Many of these contributors are themselves but just removed above the condition of those to whose wants they must minister, and they have to struggle under the burthen thus laid upon them, to preserve their own families from sinking down amongst the throng of applicants for relief. The distress is not removed from society. It is only shifted to another and a more deserving class of sufferers, presenting, beyond the range of legal provision, a more extended field of real though unseen distress, exceeding the power of individual benevolence to remove, curtailed as it is of its means by the impositions of a compulsory enactment, and chilled by the continual spectacle of worthless and clamorous applicants, angrily demanding relief as a right, of which their own misconduct, in the greater number of instances, has occasioned the need.

It is thus that, while on one side national production has been enfeebled, and on the other the stock of national wealth diminished by a profuse and wasteful consumption, the circle of destitution has been continually widening, "pauperism, like a moral leprosy," has been spreading over a greater number of families, and poverty has been multiplied and rendered more hopeless by expedients for its relief.

It has been already observed, that with the existing effectiveness of labour, in relation to the difficulties it has to surmount, the bare produce of unskilled labour, subject to the deductions for rent and profits of capital, is inadequate to furnish those necessities and accommodations which are essential to the enjoyment of life; and hence the extreme desirableness that the labourer should acquire some property—some land, or house, or capital. But if the possession of some property be so essential to the welfare of the working classes, that little enjoyment of life can be expected without it, this provision for the indigent, intended to better the condition of the poor, takes away from the working classes at once the power and the motive to accumulate such property, and for ever precludes even the hope of emerging from their state of destitution. It has these effects, first, by burthen-

ing those individuals who are only just above want with the contribution to it, and thus taking away their means of accumulation; and, secondly, by taking away the inducement to accumulate from those who are the objects of the provision, when they have the opportunity of accumulating. In thus stopping accumulations from a class of the community which is far more numerous than any other, the accumulation of national capital is impeded, and its rate of profits, in consequence, kept up; while the poor, at the same time that they are prevented from acquiring and enjoying these profits, are made to pay to the owners of capital in the richer and more fortunate classes a higher rate of profit than would otherwise be required.

Another evil of this provision consisted in its favouring premature marriage, and a too rapid increase of population, in a class whose numbers are already greater than can be supported by its own exertions. While an increase of numbers throughout all the other classes would tend to the general good, the numbers of this class are at present more than are consistent both with its own interest and with the interest of society at large. This provision has been applied to maintain the children of the poor, when their parents were unable to support them, or when they exceeded a small number in family; as well as to provide food and employment for the poor, when they themselves were unable to procure them. It thus released them from all care or concern about the consequences of impropriety or imprudence in their own conduct, and made it matter of indifference to them whether they obtained full employment and adequate wages or not; since, if they were insufficient to support a family by themselves, the parish made up the deficiency. If this provision had been applied to spread the labourers generally throughout all occupations, no other inconvenience would have resulted from their rapid increase than the support of the offspring during childhood. But it has not been applied in this way, and the lowest class have not the ability, without extraneous aid, so to distribute their members. Hence they have been unable to procure full employment and adequate wages, and no means of bettering their condition has remained but lessening the superabundance of their number to some proportion with



the work required to be done by them. Thus this misguided and indiscriminate bounty removed the natural check to over-population, and a disproportionate increase of one particular class, and so aggravated the mischief it was intended to remedy.

The pecuniary circumstances of the poor, the same as those of all other classes of society, are intimately connected with moral causes. It cannot, therefore, be wholly out of place in a discussion on national industry, briefly to allude to the moral mischiefs which have flowed from our English system of poor laws. In substituting compulsory for voluntary charity, and supplanting benevolence in its own province, as though it were a superfluous and useless part of the human constitution, this system, as its natural consequence, extinguished gratitude in the recipients of its bounty, and raised up in society an angry dispute between two opposite parties, who regarded each other as natural enemies; the one endeavouring to resist demands which were interminable and ruinous, and trying to withhold and contract relief, the other demanding it as their right, and endeavouring to enlarge it as much as possible. "It has changed the timid supplications of want, into so many stout and resolute demands for justice. The cry of the distressed few for pity, has been strangely transformed by it, into the cry of a whole population for the redress and rectification of their grievances. All the tenderness of charity on the one hand, and all its delicacy on the other, have been put to flight, by this metamorphosis of a matter of love into a matter of angry litigation; and we now behold the formidable array of a multitude fired with a sense of oppression against the upper classes of society, when, in fact, it is the oppression of their own numbers that has sunk them into a state of abject prostration."\* But besides a wide-spread poverty, the miseries of which these laws have greatly contributed to aggravate, they are also deeply responsible for a mass of low debauchery, immorality, and crime, the certain results of the exemption which its wholesale bounty and temptation to improvidence have extended to individuals from the natural and inevitable consequences which follow from indolence, folly, and profligacy. The burthen of these consequences they threw

\* Polit. Econ. in Connexion, &c. by Dr. Chalmers.

on society, while the parties themselves were allowed to escape with impunity, and the results amply fulfilled the expectations which might have been raised from such procedure.

The wages of labour are greater and the condition of the poor better, when capital is on the increase, wealth generally diffused, and society in a state of progressive advancement; but the reverse when capital is on the decline, or concentrated in the hands of a few individuals. We have before remarked, and the fact may perhaps bear to be repeated, that where capital is accumulating, its investment in some productive way to yield a future revenue requires the labour more of the poorer than of the better class of labourers. The productive investment of new capital may consist in extending cultivation, or manufacture; in fresh and larger adventures of industry; in new buildings or machinery; in canals, rail-roads, bridges, and similar public works. These give employment rather to the poorer than to the better sort of workmen; and thus make them efficient purchasers in the market. The poor, in this case, are able to support themselves, and the public are relieved from the *dead-weight*, which their superabundant number occasions. If, instead of investing their superfluous revenues to yield a future revenue, the people generally spend the whole on their present enjoyment, in this case, the workmen whose labour would be most called for would be such as produce the finer and more expensive articles of luxury; and the commoner sort of labourers would want employment. If a man, instead of being contented with plain food, plain lodging, plain clothing, and laying by something every year to accumulate, must spend everything on himself at once, he must do so by consuming more costly things. He cannot eat more, or drink more, or wear more; he must eat, and drink, and clothe himself more expensively. In this way, the weaver of plain cloth will lose a customer, and the weaver of superfine will get one; and so of the producers of other articles, the producers of plain articles will lose, while the producers of fine articles will gain.

When wealth is generally diffused, its expenditure has likewise a similarly good effect; being chiefly expended in plain articles of necessity and comfort, which employ the common sort of workmen. But if the same amount of wealth be concen-

trated in a few hands, and its revenue consequently expended in articles of luxury, this must give employment to the superior classes of workmen, and the lower classes must be deprived of employment. It is thus that luxury throws the poor labourer out of employment, eats up the morsel he would gladly earn, and puts an end to the reproduction his labour would furnish. A country given to excessive luxury cannot long save itself from decline. The smallness of the production of the lower classes of workmen, through the scarcity of work, must lessen their power of purchasing in the market; there must be a want of demand for the articles they consume, and in the end employment for the higher must diminish. Thus the whole machine of society becomes deranged in consequence of a stoppage of one of its parts. The returns of property, which labour only can furnish, must fall off; population, knowledge, activity, and capital must decrease, and even the rich soon feel the evils which their own extravagance has brought on themselves and on their country. When employment for the better sort of workmen falls off, they can descend into a lower sphere, and perform some of the labours of the inferior classes; and though the produce of their labour in this case is not of the same value as before, it is still of some value, and they are not altogether idle and unproductive. But when work for the lower class of workmen becomes slack, they can neither ascend nor descend; there is nothing else that they can do; and they must of necessity remain unemployed, and burthensome to the rest of the community. This advantage to society from employing the inferior rather than the superior sort of workmen, is, however, owing, not to anything in its own nature better in one mode of living than another, but to the existing state of society, in which there is a superabundance of inferior workmen, without sufficient work of the ruder kind to employ them. Could they learn to manufacture articles of luxury, the case would be altered, and no greater employment would result from plain than from luxurious living.

One source of the poverty of the lower classes in England is the general unprofitableness of the industry of females. We have observed already that the rewards of labour depend in part on industry being applied to such occupations as furnish articles or

services which are in request in a degree adequate to their cost. Female industry presents a striking example, both of how much valuable time may be lost through want of employment, and of how much labour may be misapplied in the production of things for which there is scarcely any demand. The occupations of women are not sufficiently numerous, and hence these occupations are overstocked with hands, and yield a very inadequate remuneration to the labour engaged in them. Women seldom earn more than a part of their expenses, the remainder of which are, consequently, to be defrayed from the earnings of the men. The want of employment for females, and the consequent unprofitableness of their industry, render the sex more dependent, and are an injury to it, as well as to the community at large. It would be highly to the interest of females, and of advantage to society, if custom and prejudice allowed them to follow more of those occupations that are now followed by men, and which are suited to their habits of life and capabilities. Serving in retail shops is an employment which in most businesses is adapted to female habits, though there are comparatively few in which females are thus employed. The occupation of a compositor does not seem to surpass the abilities of women, or to be inconsistent with their habits, while their employment in this way would contribute to render literary works cheap. Besides these, there are many other occupations adapted to females, but which it is unnecessary to enumerate.

With reference to the means by which the condition of the labourer may be ameliorated, we ought not to overlook the influence which the conduct of political affairs has upon him. In their proper management, the labourer is interested, not indeed to an equal extent with the rich man, but to a certain extent, and in that extent to which his interest does reach, he is, through weakness, more susceptible of injury. The interest of the labourer, therefore, calls both for wisdom in the direction of public affairs, and for economy in the expenditure which they occasion, towards which he, in common with others, is compelled to contribute. Again, his interest calls for an equitable apportionment of public burthens, and that no more than his fair share should be required of him. Common justice, indeed,

would point this out with regard to every class, but the poverty of the labourer seems, in his case, to demand it in stronger terms. He who has much can bear to have something taken from him without suffering serious inconvenience. But he who has little cannot have that little curtailed without its occasioning serious mischief to him. To the workman in the superior branches of industry, the payment of a tax may only cause an increase of exertion or a reduction of expenditure in superfluities, which may well be spared. But to the common labourer, whose full earnings afford but a bare subsistence for his family, such payment must curtail his expenditure in the necessities of life, and deprive him of things indispensable to the preservation of health. We cannot release the labourer altogether from public contributions, because this could only be done by throwing more than an equitable burthen on the other classes of society; which justice would equally forbid. It is difficult, in the complicated systems of modern finance, to determine with precision how nearly they effect an equitable distribution of public burthens. But, in our own country, there requires but little examination to perceive that the industrious classes bear more than their just proportion. It has, indeed, been affirmed that it is immaterial where the pressure of taxes is placed; since, if any one class be overburthened, it will ultimately throw off this burthen upon other classes. These arguments, however, as will be shown in another place, are without foundation. In a government which has justice for its basis, an equitable distribution of public burthens must be a point of the first moment; and hence, it will at all times carefully avoid placing on any class more than the fair proportion it is entitled to bear.

Again, taxes are sometimes imposed on articles of consumption in such a way as to fetter the exertions of industry, and lessen its productiveness. As proprietor of labour, the workman is more especially interested in its freedom, and consequent productiveness, than the other contributors to production—the landlords and capitalists. Again, at other times, taxes are imposed on articles which, without them, would be cheap, but with them are rendered dear. Thus expenditure is diverted from commodities

which are naturally cheap, but so rendered artificially dear, to others really not so cheap. In this way, while the government fails to obtain the tax, an injury is inflicted on the consumer by the attempt to obtain it. In the evil of a want of economy in expenditure which is thus superadded to the burthen of the tax, the labourer, in proportion to his expenditure, shares in common with the other classes.

While, thus, governments are called upon, from motives of humanity and justice, as well as from views of public interest, to abstain from oppressing their poorer subjects with over-taxation, and to afford the utmost freedom to the exertions of industry, they are, from the same motives, not less imperatively called upon to extend to them that legal protection, and secure to them the enjoyment of those civil rights, which their political weakness and unrepresented condition, even in countries called free, render more especially requisite in their case. Despotism and oppression, with the attendant necessary to their maintenance, ignorance, are calculated to debase and brutalize the character; while, on the other hand, the secure enjoyment of civil and religious rights gives room for the improvement of the moral and intellectual character, and the enlargement of all the human faculties. The labouring classes have suffered oppression both from governments and from their own employers. Our government has not, perhaps, been more free from blame than others in this respect. Notwithstanding that it ought to have been its object to secure to the poor all the benefits of civil society, and the full enjoyment of the natural rights which belong to them as men, they have been the subjects of never-ceasing legislation, with restraints and penalties awaiting them at every turn. While the property and interests of the landlords and capitalists have been respected, and encircled with ample legislative provisions, little deference has been paid to that most sacred of all property which consists in the personal faculties. No scruple has been made to entrench on the workman's right to freedom of exertion, and the right to supply his wants in the cheapest way he can. The free exercise of industry has been curtailed in a thousand ways, and its necessary consequence has resulted to the labourer, in a curtailment of the rewards of la-

bour, and a diminution of the advantages and enjoyments which would have been derivable from the free exercise of his personal faculties. Happily the laws which fettered the exertions of industry have been greatly relaxed within a few years, and are still further giving way before a more enlightened policy. Previous to 1825, a man who had acquired a practical knowledge of any manufacturing process was even prevented from leaving his country, and heavy penalties were imposed on all persons who should abet him in so doing. This disgraceful law is now expunged from our statute book. The exportation of tools and machinery was also strictly forbidden. A discretionary power, however, is now given to the Board of Trade to relax the law in this respect, and permission may be obtained for exporting all the commoner articles of machinery; the Board deciding upon each application according to its merits. This permission is highly valuable, since a great foreign demand exists for our machinery, from its superior make, which affords an opportunity of extending a branch of industry that yields higher wages and profits than ordinary, on account of the great skill required in it.

From their employers the labouring classes have often suffered. In the adjustment of wages between the conflicting interests of master and workman, the one endeavouring to give as little, and the other to get as much, as possible, there is, on all ordinary occasions, a preponderance of advantage on the side of the master. In this contest, there are on one side fewer masters, so that they more readily combine and act in concert; their wants are less immediate and less urgent than those of the workmen;—their capital enabling them to subsist a long time without doing any business; while there are few workmen who can long remain out of work without reducing themselves to extreme distress. Thus the workmen are frequently oppressed by combinations amongst the masters. The masters can usually increase the price of the article to the consumer when a general combination amongst the men has increased the cost of production; but the men can never indemnify themselves in a similar way from the effects of a combination amongst the masters; and whilst these effects extend themselves to embrace a greater

number of individuals, they are productive to each of a more intense suffering. The oppression of the workman, however, frequently recoils upon the master; and his selfishness destroys its own object. When the limit of endurance is overstepped, the labourer revenges his wrongs upon his employer with ten-fold force in acts of destructive violence, endangering the public peace and security of property; which furnishes another reason for preventing combinations which produce such retaliations. Equal justice demands the equal protection of law to each party from the combinations of the other, but if any difference of administration be allowed, the executive ought to keep a more vigilant eye upon the masters than on the men, since the natural advantages of position in the former cannot but have already had an effect in adjusting the bargain for wages between them.

The oppression of the labouring classes may be, in some measure, ascribed to their not having had a due share in the enactment of laws and the administration of public affairs. Without political power to cause themselves to be respected, they have often failed to procure that respect for their interests to which they were entitled. It may, perhaps, be thought that the bias in the direction of public affairs which their *influence* would occasion might be one which would add nothing to the wisdom or propriety of the public will; but probably be productive of the reverse. Yet, while the poor can have no right to take the lead and dictate in public measures, they are certainly entitled to that share of influence which is necessary to the due protection of their interests.

It is commonly supposed that high wages are injurious to the commerce of a country, by placing its industry under disadvantageous circumstances in the competition which it has to sustain with other nations in the foreign market. It is thought that a low rate of wages would enable us to undersell all other countries, and engross the supply of the foreign market to ourselves. But an examination of the principles that determine the exchange of commodities, of which we have already spoken, will show that this supposition is without foundation; that commerce, on the whole, is in no degree dependent on the rate of wages; that it cannot be lessened by high wages, nor increased by low wages. It is not the dearness of pro-



visions or the expense in general of producing goods in England, that is the cause which checks our foreign trade. And, on the other hand, neither would it be increased if provisions were cheap. In Poland, corn and wages are low, but yet her foreign commerce is inconsiderable. If labour were never so cheap, we could not send more goods abroad than we take in return; for we never give foreigners our goods for nothing. What is it that determines an individual to exchange one article for another, but that he has more need of the one which he has not, than of the other which he possesses? And what is it that determines him to continue to produce articles which he does not, rather than those which he does, want, but because he finds he ultimately gets with the money which they sell for more of those he wants than he himself could produce? It is some *relative advantage* that he possesses, or superior profit that he obtains, in producing one commodity, or some *relative disadvantage* that he would labour under, or some low rate of profit that he must submit to take in producing others, that determines him rather to continue the course he follows than to change it. So it is amongst nations. It is this *relative* facility or difficulty of producing different commodities, and the inequality subsisting in wages and profits in an occupation in different countries, and not the rate of wages generally, that give rise to commerce amongst nations. But prices are dependent on the distribution of the precious metals; and if commerce were entirely free, high or low prices could never anywhere exist beyond the expense of transport of goods to supply the deficiency or relieve the excess in the market; for the constant fluctuation of these metals would prevent them. The fact of the rate of wages in a country being high cannot cause a difficulty of production generally, nor can it affect the existing facility or difficulty of production of particular articles. On the contrary, this high rate is usually the consequence and evidence of a great productiveness of industry, and a large import of the precious metals. No doubt the rate of wages in any country, in relation to the rents of land and profits of stock, must determine to what kind of articles its industry can be directed with the best effect, and in what a successful competition with other countries can be best maintained; but this is all. It can neither increase nor

diminish foreign commerce on the whole. When in a particular country wages are high and profits low, the commodities in which it most excels in facility of production will be such as capital and machinery are most employed upon ; and these will be the chief articles of export ; while the imports will be those in which but little capital and much labour are required. Thus our exports consist chiefly of cotton goods, hardware, and other manufactured goods, in which machinery is much employed and the division of labour carried to a great extent ; while those of France are chiefly wines and other productions of the soil ; with jewellery and fancy articles, in which much manual labour, but not a great deal of capital, is employed. In a country where land is fertile and abundant in relation to its population, its natural exports are the productions of the soil, not those in which labour and capital are principally employed, the wages and profits of which in such countries are frequently high. While capital shall continue so much more abundant, and the rate of profits so much lower in England than in America, it is the height of absurdity in the American legislature to endeavour by their tariff to direct their capital to manufacture. If they possessed all the facilities for manufacturing goods which we have ; the same skill and machinery, with the means of effecting an equal division of employment ; they would still remain inferior and unequal to compete with us, from the difference in the rate of profit in the two countries. Abandoning the advantages they possess in an inexhaustible supply of fertile land, with ample wages to the labourers employed upon the soil, and withdrawing their capital from this most profitable occupation, they embark it in an employment in which our low wages and profits and our other different circumstances must ever give us a decided ascendancy.

If the wages of a particular trade should rise, without a corresponding rise in all other occupations, the relative cost of producing the articles of that trade would rise ; and if they had been usually exported, in all probability, competition with other countries could no longer be maintained, and their exportation must cease. But while foreigners continue to possess in a higher degree than ourselves advantages in the production of particular articles that we need, or while they are willing

to work for a remuneration with which we should be dissatisfied, it cannot cease to be our interest to purchase them, and to pay for them with some article in the production of which we ourselves possess an advantage or acquire a superior profit over them. It is not then a rise of wages that can ever be fatal to the foreign commerce of a country. It may indeed turn it into fresh channels. But when wages rise, it is frequently the consequence of a fall of profits; and in such instances, that which raises the price and destroys the foreign trade in some articles, must lower the price and cause an opening for the exportation of certain others. That alone which would naturally destroy foreign trade would be the acquisition by all nations of *equal* facilities in the production of *all* articles of necessity and convenience, and their becoming in all respects precisely similar. But while differences continue to exist in the soil, climate, and natural productions of different places, and while the circumstances of different nations are unlike each other, this can never be anticipated. On the other hand, that which would enlarge foreign commerce would be a more exclusive direction of industry among nations to single and particular employments, whereby each would increase its peculiar advantages in the production of its few and peculiar commodities, and thus occasion a *greater dissimilarity* in the advantages and disadvantages of producing different commodities in different countries.

If our industry has to contend in a foreign market against the competition of foreign producers, our power of competing must depend on the efficiency of our domestic industry. The skill of our workmen and the powers of our machinery are what we must look to, in order to acquire a superiority. But the efficiency of national industry in the bullion market is the cause of high money wages. "To complain," then, "of our high wages, is to complain that our labour is productive; to complain that our work people are diligent and skilful. To act on such complaints, is as wise as to enact that all men should labour with only one hand, or stand still four days in every week."

In countries which are fast advancing in wealth, the great production of their immense mass of capital, and its low rate of profit, may, in the price of many commodities, compensate for

their high wages of labour, and enable those countries to sell as cheaply as their less opulent neighbours, among whom the wages of labour may be lower.

In reality, high profits tend as much to raise the price of work as high wages. If, in the linen manufacture, for example, the wages of the different work-people, the flax-dressers, spinners, and weavers, should all of them be advanced two-pence a-day, it would be necessary to raise the price of a piece of linen only by a number of two-pences equal to the number of people who had been employed about it, multiplied by the number of days during which they had been so employed. That part of the price of the commodity which resolved itself into wages, would rise, through all the different stages of the manufacture, only in arithmetical proportion to this rise of wages. But if the profits of all the different employers of those work-people should be raised five per cent., that part of the price of the commodity which resolved itself into profit would rise, through all the different stages of the manufacture, in geometrical proportion to such rise of profit. The employer of the flax-dressers, in selling his flax, would require an additional five per cent. upon the whole value of the materials and wages which he advanced to his workmen. The employer of the spinners would require an additional five per cent. both upon the advanced price of flax, and upon the wages of the spinners. And the employer of the weavers would require a like five per cent. both upon the advanced price of the linen yarn, and upon the wages of the weavers. In raising the price of commodities, a rise of wages operates in the same manner as simple interest in the accumulation of debt. A rise of profit operates like compound interest. Our merchants and master manufacturers complain of the bad effects of high wages in raising the price, and thereby lessening the sale of their goods, both at home and abroad. They say nothing concerning the bad effects of high profits; they are silent with regard to the pernicious effects of their own gains, and complain only of those of other people.\*

\* Wealth of Nations, Book I. ch. 9.

## BOOK III.

### CHAPTER I.

#### ON CONSUMPTION.

HAVING, in the previous divisions of our subject, stated the principal circumstances connected with the acquisition of the subjects of economical science ; that is, of such things as minister to the wants and desires of mankind, which exist in a degree of scarceness, and require labour to procure, preserve, or modify for use ; and this with a view to facilitate labour, or increase the quantity and quality of its products, and their adaptation to our wants, as also to diminish the labour by which alone they can be acquired ; having also stated the circumstances which determine the distribution of these things amongst the several classes concerned in their acquisition ; it remains only, in this division, to make some remarks on their use or consumption.

It was formerly observed, that, in the productive operations of industry, no new matter is created, and that *new forms* alone are given to that which previously existed. In consumption, in like manner, there is no absolute destruction of substance. As it is beyond the power of man to create new matter, so it is equally beyond his power to destroy or annihilate the old. The original matter on which labour was bestowed always remains ; the consumption extends only to those properties which labour in conjunction with nature had conferred upon it—the mode, the form, the utility, or value ; these are destroyed and lost. Accordingly, consumption is to be estimated, not by the matter consumed—the number, weight, or magnitude of the objects, but by the qualities which labour aided by

nature had conferred. These qualities are most suitably measured by their exchangeable value.

Consumption, in the sense in which the word is used by political economists, is synonymous with *use*. It is the last end which men purpose to themselves in undertaking the labour or sacrifice required both in the original acquisition of things, and in their distribution and exchange. These last are the intermediary operations for conveying things to those persons who are to use or consume them. All the products of industry are produced in order to be consumed or made use of. They are all liable to be consumed, either by accident, or by intention; for that which labour has added to them, may likewise be subtracted from them; and, accordingly, all that are not absolutely sunk or buried are sure in the end to be consumed, either by the producers or by some other persons in their stead. But they are not all consumed in an equal space of time; some are much more rapidly consumed than others. The products of the labour of a domestic servant are consumed at the time of their performance, and leave no trace behind. The products of the labours of some other persons last, and are of service, during long periods of time, as houses, ships, mills, iron tools, furniture, and the like. But such things, although more durable than some others, are all equally consumed with the most perishable. Consumption, again, may be either partial or total. Clothes or furniture worn out and cast off by the persons for whom they were made, may be given to the poor, to whom they may yet be serviceable. A product wholly consumed cannot be again consumed; the value or utility given to it by labour is thereby destroyed. The material of which it is composed may perhaps still be of use for some other purpose, or be remodified and again fitted for use, in the same or another shape. The material of left-off linen clothes is used in the fabrication of paper. The iron of which a tool is fabricated may be wrought into another similar tool or into something else. But a fresh application of labour is necessary in these cases, which is equivalent to a fresh creation: the former creation is lost, so far as its continued utility in that form is concerned.

The objects or ends of consumption, and, consequently, of all the

preliminary steps to it which labour has undertaken in the original acquisition, or production, conveyance, distribution, and exchange of things, are, the support of life, the supply of our daily wants, and the gratification of our desires. But consumption takes place in ministering either to present or to future wants and desires. If the consumption of an object take place in directly ministering to the immediate support or gratification of the individual, the last end of industry as regards it is accomplished, and the result is the immediate support and gratification desired. If the consumption take place with a view to produce something, not for present but for future use, the last end of industry is not yet fulfilled, but its present end is answered by the progress in the reproduction of something fresh to serve for a future supply. When the farmer consumes in his own family a part of the produce of his harvest, the last end of his labour of production is answered. But when he sows a part of his corn, and gives another part to labourers to till the land, the last end, as regards himself, is not yet attained, but remains unaccomplished until the reproduction be completed; when it commonly replaces the parts consumed, and affords an increase besides. As regards the labourers, the corn is consumed with no view to further production for themselves, but is the recompence of their productive agency in the creation of a further product.

But in both the ends for which commodities are consumed, it is not in every instance that the objects of consumption are attained. Some things are not consumed in a useful way; such as products consumed involuntarily, provisions spoiled by keeping, things lost, burned, or destroyed accidentally. Even when consumption is effected with a view to reproduction, an injudicious expenditure may frustrate the intended object, and the result turn out to be unprofitable both to the adventurer and to the community. This result may be either inferior, equal, or superior to the expenditure; or it may be less than the expenditure might have procured in some other way. But these instances of useless or unsuccessful expenditure are exceptions to the general rule: in the majority of cases the objects of consumption are attained; and although the products of labour are in this way destroyed and lost, yet all that was required or expected

of them is fulfilled ; by their means we are enabled to continue the labour of constantly producing other things ; and by thus repeating the process, life is prolonged, and renewed enjoyment acquired, while the ability to labour remains. In consuming the products of labour, the sources of these products remain untouched. Land, the agency of nature, and the faculty of working, are inconsumable. It is true, the labourer is mortal, the improvements on an estate may be destroyed, the seed wherewith to sow the ground and the other capital requisite to give effect to labour may be wholly consumed ; their agency during any given time, too, may be suspended and rendered inefficient for the present, but that agency remains for the time to come, and the providence of man seldom allows too large or too wasteful a consumption ; preserving the sources of production unimpaired.

When the consumption of the products of industry is deferred after they have become fully matured, or fitted for use, the agency of nature and man exerted in producing them has been exerted in that direction too soon ; its products, consequently, lie inactive and unproductive ; and as this agency may always be employed in the creation of products which may be of use, or yield a profit to the possessor, a loss is incurred either of the use or the profit which might have been acquired had that agency been exerted in another way, or of the satisfaction which might have been derived from the consumption of some other article whose acquisition was within our power.

Since all the products of industry are destined for consumption, and that too in the quickest way, it may be asked, how can there be any accumulation of capital ? To this we answer, that an accumulation of capital may continue to exist, without its consisting of the same identical articles. Some articles, from their durable nature, last during a long period of time ; but others which are continually consumed, though they disappear in one shape, presently reappear in another, through the production of their equivalents. The seed which was sown in the autumn has disappeared, but it will spring up and yield an increased quantity when the harvest shall return. The food, clothing, and materials consumed by the workmen in a manu-



factory are gone, but they have given rise to the articles of manufacture whereon the labour of the workmen has been bestowed, which are of greater value than the things expended, and applicable to a new course of consumption. The greater number of articles of capital cannot be profitably employed to yield an increase, unless they be consumed and converted into other articles.

In an estimate of the total consumption of a nation every kind of consumption must be included, whatever be its motive or consequence, and whether productive of new objects or not. It must include not only the sum of the objects consumed by the different individuals composing the nation, in the supply of their own personal wants, but likewise all the objects they consume in the way of reproduction. In the different manufactures and other kinds of industry, there is a consumption of materials, fuel, tools, and other items of capital, in carrying through the different processes to completion. The production of the article of manufacture costs the destruction of these items, while the article itself is also destined to be consumed. If the value of the items consumed in the production were deducted from the article, it would vastly reduce its value, and an estimate of national consumption so formed would represent only the sum of the revenues of all the individuals of the nation. But as both the finished goods, and the items of capital expended in their production, are consumed, the gross national consumption is of much larger amount.

Every person is a consumer, for no one can subsist without the satisfaction of some necessary wants. On the other hand, all who are not supported gratuitously contribute to production, either by their labour or property. Wherefore we may say that the consumers themselves are the producers; and *vice versa*. The consumption of individuals is usually in proportion to their production; that is, in proportion to their industry, skill, and property. All that a man produces, and does not give away, he consumes in the satisfaction of his own wants and those of his family, or expends in the increase of his property. But the great bulk of consumption takes place among the middling and poorer classes, whose numbers more than counterbalance the

smallness of the share allotted to each. Opulent, intelligent, and industrious nations, are greater consumers than poor ones, because they are incomparably greater producers.

National consumption may be distinguished into two great heads;—that which takes place with a view to the reproduction of objects of a greater value, and that which has no view to reproduction, but whose last end consists in the satisfaction to be derived from the use or consumption of the objects. Again, this last kind may be divided into that which is present and complete, and that which, though commencing now, is protracted, and the final completion of which must take place at a remote period.

Though all commodities are produced only to be consumed, we must not conclude that every kind of consumption is equally advantageous to the individual or the society. The well-being and happiness both of individuals and of societies most essentially depend on the mode in which revenue is expended. A wise expenditure has for its object to produce the greatest enjoyment; for which, as circumstances are continually changing, no invariable rule can be laid down. In private expenditure, reference must be had to the circumstances, the fortune, prospects, wants, and inclinations of the individual. An expense which may be suitable in a rich person, might be highly improper and extravagant in a poor one. In sickness, a man must allow himself indulgences which he would not think of when in health. Again, in public expenditure, reference must equally be had to the circumstances and prospects of the community. In neither case, is it always saving, or always spending, that is most advantageous. Individuals may be called on to spend, not only on themselves, but for the benefit of others. Even here, however, there are limits. A benevolent act which curtails the personal comforts of the benefactor is deserving of praise; but such an act would be culpable, if performed at the expense of his children's subsistence. A person, in regulating his expenditure so as to produce the greatest gratification to himself and family, will save when saving is calculated to be most beneficial to himself or them, and will spend when spending is most so. There is, how-

ever, this difference in the effects of parsimony on individuals and on society,—that individuals sometimes save to their injury; nations never. Individuals often debar themselves of comforts in order to accumulate, and when they have thus accumulated, they are sometimes suddenly cut off by death; and sometimes from age or the natural decay of faculties, they are unable to enjoy their savings. But society lives on; it neither dies, nor by growing old does it lose its capacity for enjoyment; and an accumulation once effected, is, in general, permanent: it seldom becomes dissipated or lost, though the persons who enjoy it become changed. However, if wealth consumed unproductively afford greater present satisfaction than its future larger amount would do if expended productively, it were absurd to defer its consumption. To a finite being a present enjoyment is of higher value than a future of equal degree: the present may be secured, but the future is dependent on contingencies; which contingencies, as they may never happen, have a value. To warrant the delay, the expected future pleasure must be higher in degree. On the other hand, if the present pleasure be less than the future would be, it were wise to defer consumption. The determination of this point with precision, and the steadily acting up to it, are, in the natural world, like virtue in the moral world, that summit of wisdom in expenditure which, next to wisdom in production, has the most powerful influence on the fortunes and well-being of individuals, of families, and of nations.

Yet economists, assuming that that consumption must be always advantageous which is effected in the work of reproduction, have not always attached that value to unproductive consumption which it merits. The former they have termed productive, and the latter unproductive. Setting aside the fact, however, that neither saving nor spending can be always the most advantageous, and can only be so under certain circumstances, there appears, besides, an imperfection in this classification. When a man expends capital in employing productive labourers, they say, he expends it productively. But when he expends the same on his own subsistence while occupied in productive labour, they say, he expends it unproductively. Yet the result in both cases is

the same. His future circumstances are influenced by the *degree* of productive industry exerted, and not by the fact of its being the industry of hired labourers, rather than of himself. If the terms are admitted, still consumption ought to be accounted productive when it procures a greater return, whether it be a consumption by the owner on himself or on hired labourers; while that only is really unproductive which is consumed by idle persons, or persons whose occupation produces no beneficial result. It is said that the wages which are paid to a ploughman are expended for the sake of production; and that the wages which are given to a footman are not given for the sake of production. Now if the master be engaged in some business or profession, the services which his footman performs relieve him from performing them himself, and allow a greater portion of his time to be devoted to business. Hence the effect on production of the footman's labour may not be inferior to that of the ploughman. The time of the master is of more value than that of the servant, and should he dispense with his footman's services, and perform them himself, the loss which his business would sustain from the want of the attention which had formerly been given to it, would more than counterbalance the saving of the man's wages. The wages both of the ploughman and footman are the reward of past labour, but there is this difference between them, that the results of one are *to be* enjoyed, and those of the other are enjoyed *at the moment*. However, they may be both productive of the *same degree* of enjoyment, and perhaps have an equal effect on a future production; though one is extolled, and the other disparaged. The wages of both when received by the parties are said to be expended unproductively; that is, in the support of themselves and families. But, if things which are consumed answer the end of consumption; that is, afford the support or gratification which was expected; they are productive of every purpose that can be desired. An eminent author, not going so far as those now alluded to, has affirmed, that "all consumption of the products of art and industry may be held to be productive if it occasions, whether directly or indirectly, the production of the same or of a greater quantity of equally valuable products; and unproductive if it has not this

effect." But, if it were admitted that that consumption alone is advantageous which has future production for its object, as the term *productive* would lead ordinary persons to infer, it would follow that men ought to debar themselves of every luxury, and subsist exclusively on necessities. The conduct of the miser would thus be supported by argument, and an attempt be made to persuade the world to follow his example.

Since tastes and inclinations, as well as pecuniary circumstances, differ in different persons, the *mode*, as well as the *degree* of expenditure, most conducive to the enjoyment of any particular individual, can only be judged of by himself; for what may be acceptable to one may not be so to another. Personal expenditure, therefore, is a matter in which governments cannot advantageously interfere: it should be left entirely free; and we may be assured, though a few may spend unwisely, the great majority will manage their expenditure in a much better manner than any government could do for them.

But though governments have always been incomparably more profuse in their expenditure than their subjects, they have, notwithstanding, frequently interposed by sumptuary laws to restrain what they considered the improper expenditure of their people. These laws, which occupied so prominent a place in the system of legislation of early times, both in this and many other countries, have now become obsolete in most of the European states. They are in the present day almost universally admitted to have been at best useless, if not mischievous; and as they were an uncalled-for interposition of authority, they must be accounted arbitrary, and an infringement of the natural freedom of mankind. When the people are fettered in the disposal of the fruits of their industry, a part of the inducement to labour is taken away, and they must be expected in consequence to be less zealous about their acquisition.

Although, however, it is now admitted that sumptuary laws are calculated to paralyze the exertions of industry, and the general principle is unquestioned, that it is improper to interfere by municipal regulation in the expenditure of private persons, yet an indirect interference is sanctioned, and exceptions are made to the universal application of the principle. Revenue

laws are made the instruments of this interference ; and the lower classes are more especially its objects. Expenditure in some articles is thought to conduce more to the welfare of the individual or the public than in some others ; and articles are taxed or exempted from taxes accordingly, for the purpose of encouraging or discouraging their use. Spirituous liquors, for example, are heavily taxed, or, in other words, the persons who drink them are heavily fined, and this, not only in order to raise a revenue, but to check the consumption of these liquors, and preserve temperate habits among the people.

The products of industry are more or less perishable in their nature ; some admitting of being kept but a short time, and others much longer. Food cannot in general be very long preserved ; clothing may be kept without injury for some years ; buildings, tools, machinery, plate, and some other things, last a great number of years. The stock of food, clothing, and other perishable articles is almost as regularly consumed as it is produced, and that within a short time. But, although the objects are consumed, they may, in one case, be said to be saved, and in another spent, according as they are consumed by persons engaged in productive labour, or by those who are not so employed.

With regard to that expenditure of revenue which has not reproduction for its object, it may take place, either on things that are immediately and totally consumed, which leave nothing behind of a permanent nature, and in which one day's expense contributes nothing to heighten or support that of another, or it may take place on things of a more durable character, for more remote and protracted use and consumption, which may therefore be accumulated, and which, though ultimately to be consumed, are destined to last for a long time, and afford use and enjoyment to their possessors during all that time, in which, moreover, every day's expense may either alleviate, or support and heighten, the effect of that of the following day.

“ A man of fortune, for example, may either spend his revenue in a profuse and sumptuous table, and in keeping a great number of menial servants, dogs, and horses ; or, contenting himself with a frugal table, and few attendants, he may lay out the greater part of his income in adorning his house or his

country villa, in useful and ornamental buildings, in useful or ornamental furniture, in collecting books, statues, pictures ; in things more frivolous, as jewels, baubles, ingenious trinkets of different kinds ; or, in the most frivolous manner of all, by amassing a great wardrobe of fine clothes, like the favourite and minister of a great prince who died a few years ago. Were two men of equal fortune to spend their revenue, the one chiefly in the one way, the other in the other, the magnificence of the person whose expense had been chiefly in durable commodities, would be continually increasing ; every day's expense contributing something to support and heighten the effect of that of the following day ; that of the other, on the contrary, would be no greater at the end of the period than at the beginning. The former, too, would ultimately be the richer man of the two. He would have a stock of goods of some kind or other, which, though it might not be worth all it cost, would always be worth something. No trace or vestige of the expense of the latter would remain, and the effects of ten or twenty years' profusion would be as completely annihilated as if they had never existed.

“ As the one mode of expense is more favourable than the other to the opulence of an individual, so it is likewise to that of a nation. The houses, the furniture, the clothing of the rich, in a little time, become useful to the inferior and middling ranks of people. They are able to purchase them when their superiors grow weary of them ; and the general accommodation of the whole people is thus gradually improved, as this mode of expense becomes general among men of fortune.”

The consumption of different articles must be relatively advantageous or disadvantageous according as the satisfaction their consumption affords is greater or less in proportion to the cost of the articles. The consumption of a cheap article which affords an equal gratification with another which is dear, must be more advantageous than that of the dear one. While the loss by the destruction of the article consumed is less in the former case than in the latter, the saving is applicable to procure further objects of consumption.

In this point of view, the consumption of objects of real utility

and serviceableness, and which minister to actual rather than to capricious wants, is more advantageous than that of objects of less urgent need, or which minister only to display on an already satiated appetite. When national consumption is directed chiefly to wholesome and palatable food, warm and comfortable clothing, commodious houses, in short, to articles of convenience and cheapness, rather than of costly display, a higher degree of public gratification will be the result than when it is directed to objects of splendour, rarity, and ostentation, and such as minister only to a pampered appetite or to vanity and pride. Again, in expenditure, those things which are good in their quality, which are the longest in wearing out, and the most frequently in use, are usually objects of judicious preference. Of this kind are good houses and furniture ; for there are few things which take a longer time to consume, and are more constantly in use.

A family, or a nation, may certainly consume the whole of its revenue, without being impoverished thereby ; but it does not thence follow that it would act wisely in so doing. Under the uncertainty of tenure and liability to reverses to which all human affairs are exposed, common prudence would counsel to provide against casualties ; for, without this, whenever they happen, the income must be diminished. But supposing it to remain stationary, a fortune, however large, will seem small enough when it comes to be divided amongst a number of children. And, even if there be no occasion to divide it, as respects the family of the owner, we should recollect that a full portion of general happiness can alone consist in a state of advancement in opulence and numbers ; and an increase in the fortunes of others is necessary to this. If preceding generations had not been actuated by the frugality which accumulates capital, and thereby assists the progress of industry which leads to national opulence and civilization, the present would now be in a state of barbarism. Our wealth, our arts, our intelligence, nay, even our religion itself, would have had no existence ; and it is impossible for us to say how much further advancement in all these may still be carried by increased opulence.

In consumption, prodigality and avarice are the two extremes to be avoided. Prodigality, of the two, is regarded with the



most indulgence, because it is allied to many amiable and social qualities, and because it imparts its pleasures to others: yet it is in the highest degree mischievous to society. The prodigal, while he ruins himself, and dissipates in idleness and extravagance those funds which the frugality of his forefathers had, as it were, consecrated to assist the efforts of the industry of posterity, to increase its fruits, and contribute to the supply of the future wants of society, is at the same time the worst possible member of society. In squandering away capital, he puts a stop to its further production, and lessens the future productiveness of the industry of his country. It is true, the effects of the prodigality of some individuals are usually counteracted by the economy of others, and thus rendered apparently nugatory. But they are far from being so in reality. To perceive the real consequences which prodigality is calculated to produce, we must reflect on what would be the result if every one were to follow the example, and annually encroach upon his fortune. In a few years, a state of universal poverty must ensue, and the population of the country be swept off, by the diminution of the capital which contributed to its subsistence. But since the dissipation of the prodigal is generally counteracted by the frugality of others, the effects are confined to preventing the benefit which would have accrued from an increase of capital, had the accumulations of these others not been counterbalanced by his dissipation. Money is, indeed, made to be spent, and products are created only to be consumed; but not all at once, leaving nothing for the future. Money is to be partly spent, and partly employed productively for future uses. If the farmer consume in his family all the corn that he raises, and leave none for seed, how can he look for a future harvest? There is no skill or talent required in keeping an expensive establishment, and spending all that is within reach, and no merit in desisting only when nothing more remains to be consumed. The miser who, in the dread of losing his money, refuses to employ it in any way, does, indeed, nothing to assist industry; but he, at least, does not withdraw any assistance it previously possessed. His hoard is scraped together by the abridgement of his own personal gratifications; it has not been withdrawn from

any productive occupation, and will at any rate be available at his death for extending the operations of industry.

Economy is nothing more than the direction of expenditure with judgment and discretion ; —the employment of our means in the most effective manner, with regard to the ends to be obtained—present and future, and the cost at which they must be acquired. It is equally distant from avarice and from profusion. The economical man balances his means against the present or future wants of himself, his family, and friends. He never consumes without an object equivalent to the sacrifice. Economy has been ranked among the virtues ; for like them it implies self-command and control, and is productive of the happiest consequences. Without it, there can be no liberality of a permanent and wholesome kind ; but economy affords riches with a moderate fortune ; while the miser and the prodigal are alike poor, though in possession of the largest resources. Frugality and simplicity of manners tend to order, to virtue, and happiness ; while, on the other hand, luxury and extravagance are the hotbeds of vice ; they are inseparably connected with privation and suffering, and in their consequences are of the greatest mischief to society.

A state of great destitution in the poor is the usual accompaniment of great riches and luxury. That it must be so will be evident if we reflect, that there is in every community only a certain number of labourers, and only a certain quantity of capital, and that these are able to produce a certain quantity of goods and no more. The kind and quality of the goods that are produced are determined by the demand for them ; that is, by the tastes, inclinations, and means of the consumers. If plain and useful articles are most in request, these, in consequence, are produced in greatest quantity : if, on the contrary, articles of luxury and splendour are more sought for, in such case, these are supplied in the greatest abundance. But since the power of production is limited, in proportion as more of one sort is produced must less be produced of another. If the rich require a great quantity of labour and capital to be concentrated, if it may be so called, in a few commodities of small bulk and extraordinary costliness, so that they may be able to consume it themselves, there must be a smaller portion of labour and capital left to be

expended in the production of plainer articles for the use of the rest of the community. The more the rich consume, the less must be left for other people. This conclusion of theory is evidenced by experience in every country where great inequality of private fortune exists, and the contrast is the more striking in proportion to the magnitude of the fortunes of the rich. "The gold buckles of the rich man leave the poor one without shoes to his feet; and the labourer will want a shirt to his back, while his rich neighbour glitters in velvet and embroidery. It is vain to resist the nature of things. Magnificence may do what it will to keep poverty out of sight, yet it will cross it at every turn, still haunting, as if to reproach it for its excesses. This contrast was to be met with at Versailles, at Rome, at Madrid, and in every seat of royal residence."\* On the other hand, in countries where private fortunes are smaller, and luxury less prevalent, the degree of misery is less also.

The passion for indulgences among the rich is, however, too powerful to be much controlled by reasoning, and it would be vain to expect much from decrying luxury or preaching up frugality. But it cannot be denied, that in some instances luxury and extravagance in the rich have been fostered and increased to an extent beyond what they would otherwise have reached, in consequence of the false notions which have prevailed as to the effects of their expenditure on society. Traders, who have seldom looked beyond themselves and their immediate connexions, have been ever ready to advocate a large expenditure in their superiors, never regarding distant consequences, or the means by which a large expenditure is to be ultimately maintained. Unfortunately, economists, from whom better views ought to have been expected, have contributed their authority to the propagation of the popular error,—that prodigality is of more benefit to the public than economy. Favouring human propensities, these opinions have not been without their effect; though reasonings more conclusive, opposed to these propensities, might have been ineffectual. Some of these opinions, therefore, call for observation in this place.

One of these is, that to induce a taste for luxuries, and to

\* M. Say, Book III. ch. 5.

excite mankind to expend or consume, is to excite them to produce; and that those who produce superfluities conduce to the production of necessities. Dr. Paley says, "A watch may be a very unnecessary appendage to the dress of a peasant; yet if the peasant will till the ground in order to obtain a watch, the true design of commerce is answered; and the watchmaker, while he polishes the case and files the wheels of his ingenious machine, is contributing to the production of corn as effectually, though not so directly, as if he handled the plough or the spade. The use of tobacco is an acknowledged superfluity; but if the fisherman will ply his nets, and the mariner fetch rice from foreign countries, in order to procure to himself this indulgence, the market is supplied with two important articles of provision by the instrumentality of a merchandise which has no other apparent use than the gratification of a vitiated palate." Now it is true that the producers of superfluities conduce to the production of necessities, as much as though they were occupied directly in their production; because they require necessities for their support, and having desirable articles to offer in exchange for them, a demand for necessities is thus created, and they are produced in greater quantities than would be the case if no such persons existed as these producers of superfluities, and the population were by so much the less. But it would be wrong to suppose that more necessities are produced in consequence of the production of superfluities; for, while the population remains the same, the same quantity of necessities must be produced for their support, though superfluities were unknown. In such case, those who now produce superfluities would have nothing to offer to the producers of necessities to procure a supply of necessities, and must consequently produce them themselves; so that, in fact, there would in such case be more necessities produced instead of less. Industry is indeed excited in a higher degree by the production of superfluities; for, if men will have these superfluities, they must pay their cost, and they cannot do this without working harder than they need to do to procure mere necessities.

But is greater industry a benefit? Is it "the stimulus which the desire to possess articles of luxury gives to industry that

renders their introduction advantageous?" If this were true we must conclude, that there is nothing really good in the satisfaction which articles of luxury confer, and that it is the *labour* alone which they excite that is advantageous. But labour and toil are what we naturally dislike, and as much as possible avoid. It is only the pleasure which their fruits afford that compensates for the sacrifice, and reconciles us to endure the toil. Let the exhausted, the worn-out, the ill-paid, and dispirited labourer answer, whether labour is good for its own sake; and whether he likes, while half-stripped of its rewards, to be reduced to toil for toiling sake? Unquestionably, the producers of superfluities are highly useful members of society; they afford the means of obtaining articles which afford a high degree of pleasure, and which pleasure could not be procured at all except through their instrumentality. But it would be reversing the order of things to conclude that it is the greater industry thus excited which constitutes the benefit. It is the pleasure alone which superfluities yield that is beneficial. Pleasure is equally valuable from whatever innocent source it may be derived. It is the degree alone, and not the source, that is worthy of attention. Let an occupation be as frivolous as blowing bubbles in the sunbeams, yet, while it interests and amuses, it is quite as rational as any other which produces superfluities, though they may be highly valuable articles of wealth.

In support of the opinion that it is the stimulus to industry which renders the introduction of articles of luxury advantageous, it has been said, "The earth is capable of furnishing food adequate for the support of a much greater portion of human beings than can be employed in its cultivation. But those who are in possession of the soil will not part with their produce for nothing; or rather, they will not raise at all what they can neither use themselves nor exchange for what they want. As soon, however, as a taste for conveniences and luxuries has been introduced, the occupiers of the ground raise from it the utmost that it can be made to produce, and exchange the surplus for such conveniences and gratifications as they are desirous of obtaining; and, in consequence, the producers of these articles, though they have neither property in the soil, nor any concern

in its cultivation, are regularly and liberally supplied with its produce. In this way, the quantity of *necessaries*, as well as of useful and agreeable products, is vastly increased by the introduction of a taste for luxuries; and the population are, in consequence, not only better provided for, but their numbers are proportionally and greatly augmented."\* In opposition to what is here said, it may be replied, if the owners of the soil will not raise what they can neither use themselves nor exchange for what they want, it does not follow that, having more land than is of any use to them, they should prevent the starving manufacturer of luxuries from raising on it a supply of food for himself and family. They could have no interest in compelling him to die of want, since the land would be of no value when nothing existed which could be offered in exchange for it; and it would be attributing to them a disgraceful selfishness to say they would neither cultivate it themselves nor suffer others to do so. It would be out of place here to go into the foundation of the right to possess the soil and exclude others from using it. It is sufficient merely to glance at it. The world is the gift of God to the species, and men are bound in duty to use it for the purposes for which it was given; that is, for the sustentation and happiness of the species. Now as duty and right are correlatives, there can be no exclusive right to the soil in any individual, except on condition of using it, or suffering it to be used, for the sustentation and enjoyment of mankind. If such were not the case, the Indians of America would have had a right to maintain a whole continent a wilderness, for the sake of preserving their hunting grounds. No civil laws, founded in justice, could maintain an ownership in the soil for the purpose of keeping it a waste. If, then, there were no luxuries to tempt the landowners to cultivation, the soil, as matter of right, must be in part decreed to those who are now the producers of luxuries, for them to cultivate. In such case, the quantity of necessaries, and of useful and agreeable products, would be as great as at present; the population would be equally well provided with necessaries, and its numbers as great as now. The difference would be, that having no luxuries to toil for, men

\* Mr. McCulloch, p. 398.

would be but half employed ; each, however, would be supplied with that simple fare and those coarse necessities which his labour would produce.

While, however, it is true that to excite mankind to expend or consume, in certain circumstances, is to excite them to industry, who that looks at the constitution of our nature can doubt, that the desire to spend is always sufficient for its purpose, without any unnatural excitement ? Mankind are already too prone to sacrifice the future to the present ; although the only chance of amelioration consists in foregoing the present temptation for the sake of adding to the future means of enjoyment. The difficulty lies not in exciting an inclination to spend, but in acquiring the means to support expenditure. And the fallacy of the position rests on the assumption that it is equally within the power of mankind to produce as to consume. Even the beggar would spend as much as the prince, if he had his will. And why is it that he does not, but because it is not in his power ? What then is “ the first and grand object ” which political reasonings point out as the end to be attained ? Not, surely, “ to excite a taste for superfluities,” for this taste already exists in every state and condition of mankind, from the most barbarous to the most highly civilized, in a more ravenous degree than any exertion of labour and any combination of skill and capital which we are able to form can completely satisfy. Exciting in a higher degree a taste for superfluities and splendour, without giving the means of its gratification, would be communicating a mental disease without affording its cure ; which could only lead to discontent, to endless labour and toil, and prove a curse rather than a blessing to mankind. The insatiableness of our wants, with the absence of all contentment, forms already the greatest of drawbacks on our happiness, and the fruitful source of crimes. A more likely means of promoting public happiness is to be found in that course which in private life most conduces to the happiness of individuals ; this is, the proper regulation of our affections, the checking of artificial and capricious wants, and moderating our desires within the limits which our fortune prescribes. Surely that which is wise in an individual or family cannot be folly in a nation. In

order to produce, something more is necessary than the desire to spend : there must be the ability to produce, to which capital and skill are necessary ; and the greater these are, the greater will be the production. To their acquisition, however, the desire of splendour is adverse ; for by increasing expenditure it lessens capital, and capital can only be increased by frugality. Again, an excessive appetite for expense usually incapacitates for steady and unremitting application to business, and thus diminishes instead of increasing the produce of labour. Affluence seldom takes away the motive to exertion, or the desire to become still richer. No sooner are necessities supplied, than artificial wants spring up, equally clamorous and more numerous than those which are strictly necessary, and they increase exactly in proportion to the increase in the means of gratifying them. If we seek to rise, not by the torturing goad which a passion for extravagance and display induces, but by economy in expenditure, and the application of capital accumulated from savings to increase the efficiency of our industry, the ascent will be easy. In the former method, the advance must be not only uncertain and hazardous, but liable to lamentable reverses : at the best it must be painful and toilsome. In the latter, it will be certain of success ; and a continually augmenting property must afford that maximum of enjoyment which property is capable of yielding. But if greater exertions of labour be effected by the love of display, it may be that happiness may be diminished rather than increased thereby. Excessive sacrifices of labour may not only be irksome, but wear out the bodily frame, and bring on a premature decay of the faculties. The progress of society, both in opulence and enjoyment, depends, not on additional excitements for superfluities, but by facilitating their acquisition ; which can only be effected by that frugality which leads to an increase of capital and skill.

Again, it is said, that without the stimulus of want, the lower classes could never be impelled to labour ; so that neither the upper classes, nor society at large, could derive benefit from their exertions. Happily this assertion is not better founded in fact, than any course of action prompted by it would be in humanity and justice. Were nakedness and want the greatest incentives



to labour, the savage would be the most diligent and laborious of his species ; for he is nearest of all to nakedness and destitution. Yet his indolence is equally notorious and incurable. But to ascribe his indolence to a disinclination for the comforts of life, or a want of taste for its luxuries, would be to ascribe it to anything but its right cause. So far as our superfluities are known to him, they are in general eagerly sought for. His cupidity and propensity to thieving, his passion for finery and display, and for excessive indulgence, when it is in his power, are as remarkable as his idleness. Throughout Europe the laziest nations are those the least removed from the savage state ; while, on the other hand, the best and most industrious mechanics and tradesmen are those who are most above want. Wants multiply as fast as they are satisfied, and a man is never without a motive to make a further acquisition, in consequence of having made one already. It is the excessive toil of labour, the smallness of its remuneration, and the hopelessness of advancing himself in life, that depresses the energies of the workman, and takes away the motive to exertion. But, since the wealth of a country depends mainly on the skill and intelligence of the industrious part of its population, if the working classes are wretchedly poor, they must be unable to bear the expense of the years of unprofitable labour necessary to qualify their children for the skilful performance of the different arts. The poverty of the lower classes overburthens and gluts the market with the commonest sort of labour ; and renders the labourers who are incompetent to any superior kind of work idle through necessity. Had they money sufficient, they would learn the mechanical arts, and, instead of impoverishing, would contribute to the prosperity of their country. Every class has an interest in the welfare of every other, because, when others are able to contribute largely to the expenses of the state, the burthen on its own members will be less. But it has a more especial interest in the welfare of the lowest class, since it is the most numerous, and since, instead of being a help, it is already a burthen to the others, which its advancement would enable them to shake off.

Another popular error is, that the expenditure of the rich

affords employment to the poor, that they are in consequence the support of industry, and the cause of production ; while frugality is thought to be adverse to the public welfare, by depriving workmen of employment. But the fact is, that the money which is spent in luxuries and extravagance is not more beneficial in circulation than the money which the miser lays out in some way or other to acquire a future return of profit or interest. Spending does not cause employment ; nor does hoarding diminish it. They neither increase nor lessen the demand for commodities. The quantity of labour for which a demand is created by the expenditure of revenue depends on the *amount* of the expenditure, and not on the *mode* in which it is expended. The mode merely directs the *peculiar channels* in which industry shall flow. Revenue may be expended as capital with a view to further production, or as revenue in the personal or domestic expenditure of the owner ; and the same degree of employment be given in both instances. Adam Smith has long ago exhibited this in a striking manner. He says, " What is saved, is as regularly consumed as what is spent, and nearly in the same time ; but it is consumed by a different set of people. Whatever a person saves from his revenue and adds to his capital, he either employs himself in maintaining an additional number of productive hands, or enables some other person to do so, by lending it to him for an interest, that is, for a share of the profits. That portion of his revenue which a rich man spends is, in most cases, consumed by his guests and menial servants, who leave nothing behind them in return for their consumption. That portion which he saves ; as, for the sake of the profit, it is immediately employed as a capital ; is consumed in the same manner, and nearly in the same time too, but by a different set of people : by labourers, manufacturers, and artificers, who reproduce, with a profit, the value of their consumption. His revenue, we shall suppose, is paid him in money. Had he spent the whole, the food, clothing, and lodging, which the whole would have purchased, would have been distributed among the former set of people. By saving a part of it, as that part is, for the sake of the profit, immediately employed as a capital, either by himself or by some other person, the food,

clothing, and lodging, which may be purchased with it, are necessarily reserved for the latter. The consumption is the same, but the consumers are different.”\*

The facts that saving from revenue, in order to add to property, makes no change in the quantity of employment offered to the workmen, and that the luxurious extravagance of the rich is not more beneficial than the careful expenditure of the frugal, ought not to be lost sight of, from the prevalence of the contrary opinion, and the mischievous tendency of such opinion when acted upon. A division of employments occasions industry of one kind to give employment to industry of other kinds. A man cannot consume all the articles he produces, but must exchange the major part of them for articles of other kinds produced by other persons. An increase of the articles he produces creates an increased demand for the articles produced by others. But whether a man expend his revenue in the supply of his own wants and the gratification of his own desires; whether he expend it in a productive way to increase his future income, or whether he give it to others to expend in any way they please; no difference can be effected in the extent of employment it affords: it is the amount only which is expended that can do this. Whatever encouragement ostentatious extravagance affords to one class of producers, by the expenditure of money, or, which comes to the same thing, of the things which that money represents, in the purchase of articles to minister to pride and luxury, necessarily diminishes in the same proportion the encouragement which, without it, would be afforded to some other. Money cannot be laid out to produce an interest or return without being expended, and its expenditure must cause a demand for labour. Savings in one quarter may, indeed, be only sufficient to compensate for extravagance in some other quarter. But all other savings must be expended either in the creation of new property, or employed in the extension of business. Savings are often expended in the purchase of old property, but this is a mere transference of the saving from one person to another: the man who procures the saving in exchange for the old property he has sold has still to employ it; there is no difference in the result,

\* Wealth of Nations, Book II. ch. 3.

and the only difference is in the change of parties that ultimately spend it. The saving may be spent in a variety of ways : in erecting some new building, or in enlarging, repairing, or improving some old one ; constructing some new machine, or doing something to facilitate and increase the productiveness of future labours ; breeding more horses, extending or heightening cultivation, or extending manufactures or trade. In whatever way it be expended to produce a profit, it must go in the purchase of labour and natural products, on which to bestow the labour, in order to render them of use.

While, however, saving from revenue in order to add to property makes no difference, in the first instance, in the quantity of employment afforded to workmen ; but merely effects a change in the direction of industry, and causes a demand for one sort of workmen instead of another sort, leaving employment on the whole the same ; it is worthy of notice, that the additional revenue which subsequently accrues, as the result of the saving, offers greater employment for labour in time to come, by the supply of a greater quantity of things wherewith to purchase it, and the means of maintaining an increased population ; while a larger capital opens new sources of industry, and enlarges old ones to a greater extent, at the same time that it improves the condition of the workmen, by lowering profits and rendering the wages of labour equal to the purchase of a larger quantity of goods. It is the want of property, and smallness of the produce of the labour of partially civilized nations, which causes that mortality which acts so powerfully in keeping down their numbers. It is the property, the intelligence, and, consequently, the immense produce which the labour of civilized nations yields, that enables them to maintain in health and affluence a dense population, with perhaps small natural resources. And the more this property and intelligence are increased, the better will be the circumstances of the people. Now if every one spent each year the whole of his income for that year, he could never become richer, and these advantages could never be acquired.

Since, then, luxury cannot afford employment more than would exist without it ; since, again, in those instances in which it may occasion an addition to the wealth of a country, it only does so

by inducing uncalled-for and excessive exertions, while its general effect must be to keep down *public* wealth and impoverish a nation; how great would be the mischief which would result from acting on the opinion, that frugality is adverse to the public welfare, and that the most useful man is he who spends the most! How false, too, is that reasoning which extols excessive self-indulgence into a virtue, and extravagance and ostentation into beneficence and patriotism! Though vanity may pride itself in idle expense, its display of magnificence is nothing more than a display of selfishness; and though it may endeavour to shelter its deformity under the mask of virtue, it is in reality no less contemptible from the motives which actuate it, than it is mischievous in its consequences.

To affirm that the rich by their expenditure support the industrious population is an absurdity too glaring to need refutation. It is an assertion, too, which is degrading and insulting to the poor. There would be as much ground to affirm that the poor support the rich. The fact, however, is, that each man supports himself, either by his personal labour, or by the property which either he or his ancestors have acquired—probably by industry and frugality. The rich give nothing to the labourer without exacting an equivalent in return for what they give. The poor, again, give nothing to the rich of which they do not receive the full value. The parties only exchange equivalents, as either the poor or the rich may do amongst each other; and there is no more advantage in exchanging with the rich than with the poor. It is a voluntary exchange, implying on each side a preference of what is received to what is given. Neither can we affirm that an obligation is due from one to the other on either side. If the rich desire to confer an obligation on the poor, something more than the market price ought to be given.

Frequent changes of fashion are to be deprecated. A compliance with fashion causes things to be thrown away which have lost neither their utility nor beauty. This multiplication of expense is only induced for the purpose of appearance, and of acquiring or maintaining a certain rank in the estimation of the world, as indicating that we are equal to some and superior to others. But pride must be accounted a selfish passion. Its

indulgence makes an invidious distinction to the prejudice of those beneath us, and of those who, though not beneath us, are yet too wise to go to the same expense ;—a distinction which is calculated to excite envy, hatred, and discontent in their minds. Pride is that curse which blasts and renders nugatory the noblest exertions to raise the condition of the species. What is the end of all the studies, the inventions, the labours of men in advancing knowledge and promoting improvements in the arts, but to lessen the labours of mankind, and enable them to acquire a comfortable subsistence with less exertion ? No sooner, however, is an invention or improvement for abridging labour introduced in effecting any object of human exertion, than the expense which is saved in procuring this object inevitably leads to a greater expense in other things, and there is no saving of labour or expense of living on the whole ; for the same expense as before is necessary to maintain the same distinction of rank. The improvements which have taken place in manufactures, although they have greatly reduced the prices of articles of clothing, have yet not at all lessened the expense of dress on the whole ; for the plainer and coarser clothing previously worn has been abandoned, and can no longer be used, because it has become the dress of the commoner sort of people, and respectable persons have had recourse to articles of finer texture and more costly materials. Thus all the improvements and inventions of machinery in our manufactures have had but small effect in bettering our condition, and rendering less exertion necessary to our comfortable support, because fashion and pride have driven us from the use of the old, plain, and cheap articles, and compelled us to adopt those of finer workmanship and more costly fabric, though many of them not at all better in themselves or more agreeable in use. If it were not that our friends would be ready to shun our society and cast us out from the circle of their acquaintance, there would be only a small part necessary of the expense which we incur to afford us quite as much real use and gratification. This necessity of keeping up an outward appearance of affluence extends to every branch of expenditure ;—to our houses, furniture, apparel, attendance, to the labour we perform, or the avocations we follow ; all of which must be regulated by the standard

that the world affixes as indispensable to our station, and which serve to keep up the appearance of wealth, where actual poverty may exist. This is a weakness in human nature, which is contrary to reason. It is, perhaps, a relict of slavery, since we find in all countries where slavery exists, that those laborious occupations performed by slaves are considered derogatory to free-men. If we look forward to a time when the conduct of mankind shall be freed from such influence, and reason only shall be their guide, how much greater will be their ease, independence, and happiness, and how much wider will the benevolent principle extend its operations! Thus it is that pride is the hardest and most inexorable of all taskmasters, enchain- ing and perpetuating upon us the full burthen of the curse of earning our bread by painful and incessant exertions, in spite of the efforts of science to lighten its pressure. There is no vice which deprives men of so many gratifications, which excites so many cares and apprehensions, and is the occasion of so much suffering in the world, as pride; for there is none so universal. All the other vices are more or less kept in check by the laws of society or public opinion; but this is suffered to run rampant without control, not only through its exemption from civil re- straints, but from the very approbation which popular feeling awards to it. The compliance with expensive fashions on the part of a few individuals induces others to imitate their exam- ple, and spend more on themselves than they otherwise would do, and this, not for the sake of any real utility or pleasure which can be procured thereby, but merely for the purpose of appearances. Thus such compliance impoverishes, in a measure, not only those who set the example, but all those of inferior fortune who imitate it. We may consequently rank amongst the destroyers of social happiness those persons who employ power, station, or talent in cherishing a spirit of pride, and diffusing a passion for expense. The insatiable appetite which luxury induces, while it swallows up the largest portion of the produce of labour, acts as a preventive check on the mul- tiplication of the human race.

It might be well if those persons in whose hands riches are placed, almost in excess, would reflect sometimes on the amount

of human labours which they consume and destroy in the gratification of their own personal wants and desires, and those of their families. Many of our nobility consume the produce of the labours of thousands of persons; some of whom, from the smallness of the remuneration allowed for their work, have to struggle against poverty in supporting themselves and families, and to labour beyond the usual hours of work with painful and unceasing toil, at the expense of their health and strength, and all to produce what adds but, as it were, a drop in the ocean to the enjoyment of the rich man who unthinkingly consumes it, and who, notwithstanding the multitude employed to minister to his pleasure, is, after all, not happier than the generality of those who labour for him. Indeed, after the common wants of our nature are satisfied, happiness is to be found, not in the frivolous enjoyments of luxurious vanity, but in the proper government of our affections, and the rational exercise of our bodily and mental faculties. But there is a moral offence in extravagant profusion. Is there not an unworthy selfishness in men who thus destroy and consume so much on themselves, and allow so little for the support of those who labour for them? And is it not, if one may so call it, a wanton sporting with the miseries of mankind, alike inconsistent with reason and with that benevolent conduct which is incumbent on us? The bounties of nature, though liberally bestowed, are bestowed in measure only—enough, but without excess. They are intended for the happiness of all, they can be obtained only through human toil. As much as a wasteful destruction of them takes place in one quarter, must there be a deficiency of them in another. Such a disposition of them is, in the moral world, in direct contrast with that economic conduct of Providence which everywhere in the physical world effects its object with the fewest materials and at the least expense, and is contrary to that careful economy which is enjoined in the simple but expressive command,—“to gather up the fragments, that nothing be lost.” Liberally bestowed as are the bounties of nature, she nevertheless respects her gifts, and demands that we should respect them too, and not waste them in lavish profusion. In what is here said, it is not intended to cast blame in particular on the rich,



who act in no respect different from the manner in which others would act if placed in their situations. All men, who are much removed from want, are more or less chargeable with this selfish appropriation of the bounties of Providence ; and, in general, the more so in proportion to their affluence. Since, then, it is the circumstances in which men are placed that determine their conduct, we are irresistibly led to the conclusion, that great riches in the hands of a few, when accompanied, as they usually are, by privation in the great body of the people, are ill calculated to promote the general happiness ; since it is only by the diffusion of wealth that the labours of the people can be directed to the production of those articles which most conduce to enjoyment. The gratification which labour bestowed on the manufacture of lace and embroidery affords to the rich who wear these articles, is not to be compared to the satisfaction which the same quantity of labour employed in the manufacture of plain but comfortable clothing would afford to the much greater number of poor who are now in want, and for which this labour would suffice. While, therefore, poverty continues to meet us at every turn, it must ever be not less an object to repress artificial and capricious wants, than to augment the produce of labour. Pride, moreover, is insatiable, and the gratification of one artificial desire leads only to the creation of another, of a still more extravagant and costly nature, and still more difficult to supply.

While, however, we cannot doubt that the sum of happiness of the community would be increased by a more general diffusion of wealth, by less luxury on one hand, with less poverty on the other, and by a greater share of its whole revenue being dispensed amongst the poor, an important distinction still exists between the division of property and its dissipation. The public welfare could not be promoted by dissipating the fortunes of the rich, or by distributing a part of them to those who would spend or make an improper use of it. As far as the public revenue is concerned, it is immaterial to the nation whether property be enjoyed solely by rich owners, or shared in smaller portions amongst a greater number of persons of lesser fortunes. But if more than the annual proceeds be spent, and, consequently, the principal money or value entrenched on,

whether by the owner or by others, the future sources of taxation must be diminished, and with them the future strength and enjoyment of the community. Hence, in promoting the general welfare, the possessor of large property must preserve it unimpaired, or if he divide it on his death amongst many, it must be among such only as will preserve what falls to them undiminished. The public good is not likely to be permanently promoted by dissipating property, though it were even in acts of charity.

In arguing against luxurious consumption, the inquiry may be made as to what would be the consequences to society, if the considerations which have been now advanced had their full effect on the public mind, and the dispositions and conduct of men were so altered, that they should no longer have a desire for articles which have no real utility, and are only desired from motives of vanity and rivalry; and if, instead of such articles, people should consume nothing but what is plain, cheap, and useful? To this I answer, the effect would be a change of employments. The manufacture of lace, brocades, trinkets, and such-like finery, must be abandoned, and, instead of these, we should have only occupations by which useful products are supplied. The manufacturers of lace and finery must betake themselves to the production of plainer articles. But we cannot apprehend that a want of work, and poverty, would be the consequence: the reverse of this would be the case. The rich would no longer require all their income for their own personal and domestic consumption, and, having no motive to retain the whole, they would give away a part of it to others. Thus, the inequality of fortune would be lessened, and the condition of the great body of the people improved. The rich proprietors, though ceasing to covet luxuries and splendour, would still possess the same incomes. These are derived from the rent of land, the interest or returns of money and other property, all of which would continue to yield the same revenue, whether the owner had a desire to spend it or not. Consumption does not originate production; and it would be reversing the order of cause and effect to suppose that it did. Undoubtedly, the labours of the community would be lightened. Not having the

same urgency of motive to goad them on to exertion, people would not undergo the same intensity of toil. A few opulent manufacturers and merchants would retire from business. But this slackening of personal exertions, when it takes place in order that men may enjoy themselves the more, cannot be accounted a public loss. At present, men in general consume on themselves and their families all that their labour acquires: they would do the same then, and, though the produce were less, they would be equally well satisfied. The labourers must continue to work, because under the necessity of doing so for their subsistence; but perhaps it would be in many instances on their own accounts, instead of for others. The capital which was used in business would remain, and continue to be employed, though perhaps by some other person.

A popular error exists, which has been handed down from the earlier ages, that luxury is the chief cause of the decay of nations. In those ages, there were instances in which luxury had rendered men effeminate, had lessened their personal prowess, and thus preceded, and in part caused, the overthrow of empires. But however injurious luxury may be in other respects, it would be incorrect to suppose that it alone could ruin a people. The immense wealth amongst the ancients was in general procured by rapine and violence; it gave to its possessors a power and influence which the feebleness of moral restraints in those times rendered dangerous to the public welfare, and the luxury which it induced ought to be considered rather as the consequence of the general depravity of morals, than as itself the cause of their decay. When a general depravity of manners is introduced; when the rich, become powerful from their wealth, are at the same time unjust and overbearing, and the poor deprived of justice and protection; when one class in society is thus set against another, and enemies are raised up from within as well as from without; when treachery and perfidy have become general, and mutual confidence is destroyed: there is nothing left in such a state of things that can be worth upholding; there can be no love of country, no union or strength, and the social fabric must fall to pieces by the mere opposition of its parts, if some external force did not interpose

to overthrow it. Again, there is an essential difference between the mode of warfare amongst the ancients, and that in use in the present day. Among them, the success of battles depended chiefly on the hardihood and strength of body of the combatants: among the moderns, it depends rather on the mental courage and military skill of the soldier and the science of the commander. Science and skill are brought into the place which muscular strength before could alone fill, and a diminution of muscular strength induced by effeminate living has not now the same effect as it had then. Great wealth does not lessen mental courage and skill in arms. Many of the most able commanders which Europe has furnished in modern times have been courtiers, brought up in the enjoyment of every luxurious gratification which art could furnish. The gentlemen of England, and the courtiers of France, have yielded to none, either in ancient or modern times, in cool intrepidity in action, and in military skill and science. Besides, the great expense of modern warfare can only be borne by rich nations, which have the means at their command of living luxuriously.

In all countries, the government has a great influence in determining the character of the national consumption, not only by its example, whether of splendour and ostentation, or of simplicity, raising up a host of imitators, but because its consumption always forms a large portion of the total national consumption; amounting sometimes to a fifth or even a fourth part of the whole consumption of the community. Hence the powerful influence which economy or profusion exercised in the government expenditure has on the circumstances of a nation.

There is no difference in the nature or effect of the expenditure of the government and in that of private persons. The one effects the same destruction of human labours as the other, and causes the same demand for labour and commodities: it is the magnitude, and not the nature, of the consumption that constitutes the difference. The government expenditure, indeed, may be considered to form a portion of the private expenditure of every individual; being for the attainment of objects of which every one stands in need, in which every one is interested, by which each is benefited, and to which all

contribute: the only difference is, that the duties are undertaken and the expenditure made by government for all, instead of by every man for himself. Economy, then, in public affairs, is of the same nature, and is no less advantageous than in private affairs; and no public measure can be beneficial, when the cost exceeds the benefit it yields, or when this benefit is inferior to what would have resulted from the same expenditure in another way. It is by this plain maxim, that public as well as private measures are to be judged. Every instance in which the benefit is not equivalent to the expense of acquiring it, is an instance of folly, or of criminality, in the government that originates it. How then shall we repress our indignation when we not only hear it boldly affirmed that the public wealth increases with the public expenditure, but see this maxim reduced to practice?

Mr. Malthus says, "With regard to statesmen, soldiers, sailors, and those who live upon the interest of a national debt, it cannot be denied that they contribute powerfully to distribution and demand; they frequently occasion a division of property more favourable to the progress of wealth than would otherwise have taken place; they insure that consumption which is necessary to give the proper stimulus to production; and the desire to pay a tax, and yet enjoy the same means of gratification, must often operate to excite the exertions of industry quite as effectually as the desire to pay a lawyer or physician."\* However, without denying, but on the contrary fully admitting, that the useful functions performed by the officers of government are fully equal in their real serviceableness to the public to the expense of their performance, yet it can never be admitted that the consumption of those who are supported by taxes adds, in the slightest degree, either to demand, or to a division of property more favourable to the progress of wealth than would otherwise obtain. The taxes by which these classes are supported being drawn, not from any original and actual production, but from the incomes of the people, and chiefly of such among them as are of inferior rank; the people become the poorer thereby, and their means of consumption are

\* Principles of Political Economy, p. 479.

diminished in the exact measure in which the means of consumption of these classes are enlarged. The public functionaries create nothing to be consumed; they only share with the people in the consumption of objects which the people themselves create and would consume, were they left in their hands. Since, then, these functionaries add nothing to the common stock, consumption can neither be increased nor diminished by any alteration which may be made in the shares in which the whole is consumed between them. With regard to a division of property more favourable to the progress of wealth, such a division is to be effected, not by curtailing the means of accumulation and lessening the capital of the productive classes, but, on the contrary, by augmenting that capital; in other words, by exempting them as much as possible from taxation, rather than by unnecessarily adding to its burthen. So far, then, from those who live on taxes "furnishing fresh motives to production, and tending to push the wealth of a country further than it would go without them," they lessen the motives to exertion, by lessening its rewards, and retard the progress of opulence by diminishing the power of production and accumulation.

The error of supposing that where there is no loss of *money* there is no loss of national wealth, and that a country cannot be impoverished by its internal expenditure, has arisen partly from the circumstance that money is not *consumed* in the using, but passes from hand to hand in exchange for commodities of different kinds, while its quantity and value remain undiminished. Though, however, the money itself is not consumed, the different commodities which it circulates are so, and all the objects which have been successively bought with the same pieces of coin sooner or later cease to exist, whilst the money remains in full quantity. The same amount of money which existed in a country in a year of plenty, may also be found in it in a year of scarcity; but it will not, consequently, fill the hungry with food, unless it be exported to buy provisions in foreign countries, where they may be purchased. The presence of money, therefore, can be no criterion of wealth or abundance; and to confine the national money at home for the purpose of preserving wealth were absurd. Money by no means prevents consump-

tion. On the contrary, it facilitates the arrival of consumable articles at their ultimate destination, and so helps to cause consumption.

In the consumption of government, therefore, though the money is not consumed, but returned again to the people, there is, notwithstanding, the same destruction of the products of labour as in the consumption of private persons. The government demands the taxes of the people, not in goods, but in money. The people, in order to meet this demand, give a part of their productions or labour for money. This money, when received by the government, is paid to its officers; and these do not indeed consume it, but exchange it again for goods which they consume. There is a double exchange; first, on the part of the people, of goods or labour for money to pay the tax; and, secondly, on the part of the servants of government, of this money which has been raised by the taxes for goods for their use. But, in the end, the effect is precisely the same as though no such exchanges had been made, and the taxes had been paid by the people, not in money, but in goods or labour in kind, and these handed over in lieu of money to the public officers for their use.

From the fact that the money paid in taxes comes back again to the people in the expenditure of government and its officers, has arisen the prevalent notion that the money raised in this way is no loss to the people. This fallacy would have been almost too gross to need refutation if it had not been held by princes and statesmen, and had not been productive of infinite mischief, by being made the pretext for shameless waste and extravagance. This error proceeds from not observing that the money when returned to the people is not returned in the way of restitution, but only for its equivalent. Dr. Hamilton illustrates the absurdity of this position by comparing it to the "forcible entry of a robber into a merchant's house, who should take away his money, and tell him he did him no injury, for the money, or a part of it, would be employed in purchasing the commodities he dealt in, upon which he would receive a profit." Be it so. The result, then, after the money is got back, is, not the loss of the money, but of the goods which were given to get

it back. The effect of an unnecessary or extravagant expenditure of public money is precisely analogous. The money raised in taxes to defray this expenditure comes back. But it is only in exchange for commodities or labour of equal value; and the loss is, not of the money, but of the things of equal value. The people first part with their money to the government without equivalent, as far as this expenditure is concerned; they get it returned by parting with things of equal value, just as though it had never been in their hands before;—the public officers, instead of the people, enjoying the satisfaction resulting from the consumption of these things.

There is little danger of individual expenditure ever much exceeding reasonable limits. “The principle which prompts to expense is the passion for present enjoyment; which, though sometimes very difficult to be restrained, is in general only momentary and occasional. But the principle which prompts to save, is the desire of bettering our condition; a desire which, though generally calm and dispassionate, comes with us into the world, and never leaves us till we sink into the grave. In the whole interval which separates these two moments, there is scarcely, perhaps, a single instance, in which any man is so completely satisfied with his situation, as to be without any wish of improvement of any kind. An augmentation of fortune is the means by which the greater part of men propose and wish to better their condition. It is the means the most vulgar and the most obvious; and the most likely way of augmenting their fortune is, to save and accumulate some part of what they acquire, either regularly, or upon some extraordinary occasion. Though the principle of expense, therefore, prevails in almost all men upon some occasions, and in some men upon almost all occasions; yet in the greater part of men, taking the whole course of their life at an average, the principle of frugality seems not only to predominate, but to predominate very greatly.”\*

The circumstances of a great nation can seldom be much affected either by the prodigality or misconduct of individuals; the profusion or imprudence of some being always more than compensated by the frugality and good conduct of others. “In

\* Wealth of Nations.



all tolerably well-governed countries, the principle of accumulation has uniformly had a marked ascendancy over the principle of expense. Individuals are fully sensible of the value of the articles they expend; for, in the vast majority of instances, they are the immediate result of their industry, perseverance, and economy; and they will not consume them, unless to obtain an equivalent advantage. But this, it must be allowed, is but rarely the case with the consumption of governments and their servants. Generally speaking, they consume the produce of the labour of others, not of their own; and this circumstance prevents them from being so much interested in its profitable outlay, or so much alive to the injurious consequences of extravagant and wasteful expenditure as their subjects. But economy on the part of government, though more difficult to be practised, is of infinitely greater importance than economy on the part of any individual. Should a private gentleman think of acting on the principle that profusion is a virtue, and that industry may be encouraged by increasing unprofitable consumption, he will most certainly be ruined; his ruin, however, will only be *directly* injurious to the individuals in his own employment, and will have but a very slight *indirect* effect on others. But similar conduct on the part of government would most probably be productive either of revolution, or of national poverty and degradation. If, then, it is most desirable that individuals should have a correct knowledge of their real interest in the consumption of commodities, how much more so must it be that governments should possess that knowledge! Economy and frugality are virtues in a private station; but in a public station their influence upon national happiness is so vast, that they are not only the first of virtues, but the most pressing of duties."\*

The prodigality of a government may consist in keeping up unnecessarily large and expensive establishments, a numerous and splendid court, great civil and ecclesiastical establishments, great fleets and armies, which produce no adequate return for the expense of their maintenance. Or it may consist in allowing extravagant salaries and emoluments to its officers.

\* Mr. M'Culloch, p. 415.

The expense of the public administration of a country must depend in part on the degree of pomp and splendour which it assumes. Whatever be the appearance which a public officer is expected to make, his salary or emoluments must be in proportion. This observation applies to all the public officers from the highest to the lowest. When, therefore, a people can respect its prince only while surrounded with the externals of greatness, they must pay dearly for their taste. If, on the other hand, they can be content to respect simplicity, rather than pageantry, and obey the laws, though unaided by the attributes of pomp and ceremony, they will save in proportion.

The services of the public officers are dear or cheap to the public, not merely in proportion to what they actually cost, but likewise in proportion as they are well or ill executed. A duty badly performed is dearly bought, however little be paid for it; it is dear, too, if it be superfluous, or unnecessary. On the other hand, a public duty may be cheap, although very liberally paid. A low salary is wholly thrown away upon an incapable and inefficient officer; his ignorance costs the public probably ten times the amount of his salary; but the knowledge and activity of a man of ability are fully equivalent to the pay he receives; the losses he saves to the public, and the benefits derived from his exertions, greatly outweigh his personal emolument, even if settled on the most liberal scale.

The power which commonly accompanies the exercise of public functions is a kind of pay, that often far exceeds the pecuniary emolument attached to them. It is true that, in a well-ordered state, there is little left to the caprice or arbitrary control of the officer, yet the discretion which the law must inevitably vest in those who are to enforce it, together with the honour commonly attendant on the higher offices of the state, has a real value, which makes them sought after, even in countries where they are by no means lucrative.

There are some offices in the state which possess sufficient attractions to the performance of the duty without any pecuniary allowance. But it does not thence follow that there would always be real economy in withholding all emolument. In this case, the office can be filled by none but the rich, and there is a

danger of losing more by the negligence or incapacity of the officer than would be saved by withholding the salary. This, as Plato observes in his Republic, would be like intrusting the helm to the richest man on board. It is not likely that there will be so much diligence and zeal in the performance of the duty, where there is nothing, as where there is something, to be gained by it, nor so much fear of dismissal, where there is nothing to be lost by it. The government, therefore, cannot have a proper control over its servant; besides, with what grace can he be called to account, who may assume the merit of generosity both with the people and with the government? There are, however, some duties which may be well performed without any salary; and in which the gratuitous services of the rich may be employed with advantage. These are chiefly such as confer some degree of honour on the officer, and which require but little personal labour. Inspection and control over others who perform the working part, are better suited to honorary posts, than the actual performance of laborious duties. Compulsory public services are in general the reverse of good economy. The public lose more from the wilful negligence, incapacity, and abuse of power of the officer, than his salary would amount to. Besides this, to render the burthen tolerably equal, the officer must be frequently changed, and he no sooner acquires the knowledge and experience necessary to the proper discharge of his duty, than he is succeeded by one equally ignorant, who has himself to learn, to be also dismissed when he has learnt, and in his turn to be succeeded by another of equal incapacity with his own, when he first entered upon the employment.

## CHAPTER II.

## ON THE ACCUMULATION OF PROPERTY.

THE possession of property affording inestimable advantages to individuals and society, by assisting and heightening the working effect of labour when in the form of capital, and as stock of different kinds, affording necessities and comforts which contribute to ameliorate the condition of the people, it is a question of interest to ascertain by what means the property of a nation may be increased, or what are the circumstances most favourable to its accumulation.

Stock of every description is the result of the past exertions of industry. An increase of it, then, cannot take place without fresh efforts of production, nor without the exercise of frugality. The circumstances favourable to accumulation, therefore, are of two kinds ; first, those which contribute to the success of industry ; and, secondly, those which are favourable to parsimony, or adverse to wastefulness, prodigality, and misconduct. Wealth cannot be increased except through the means by which it is originally acquired. Industry must first provide the subjects from which parsimony may afterwards accumulate. Industry must be diverted from the production of the perishable objects of immediate and total consumption, and be directed to the production of such as are more durable, suited either to form capital, or lasting objects of use and gratification. But however industrious, however successful the exertion, and however great the produce of labour, all is of no avail without a principle of saving. If the produce of labour be all spent in idleness, and all entirely consumed on present enjoyment, our property can never become greater. We must abstract a part of what might serve for our subsistence, from being expended in idleness on present gratification, and employ it to assist our labours in making provision for the future. Accumulation may be made either in consequence of increased production, or of diminished consumption.

Of the first set of circumstances favourable to the accumulation of stock, or those which favour the productiveness and success of industry, it cannot be necessary to say anything; since to do so, would only be to repeat what has been said already on that subject. It may suffice to observe, that without success in industry the means of saving cannot be acquired; and that everything which promotes that success, in the same degree gives the means of saving, if we choose to avail ourselves of them.

Among the second set of circumstances favourable to accumulation, or those which promote frugality, and lessen prodigality, misconduct, and loss, may be enumerated,—simplicity of manners, a diffusion rather than a concentration of wealth, peace, and the avoidance of violent and sudden changes in those political measures through which industry is affected.

Whatever a man saves from present expenditure he turns either into items of capital to be employed in business, or of stock devoted to a protracted and remote consumption, which may afford a continued use or enjoyment for a long time. If the saving be turned into capital, he either employs it himself in business, or enables some other person to do so, by lending it to him for an interest or a share of the profits. If it be converted into objects of protracted consumption, as houses and the like, he either occupies and uses them himself, or allows some other person to have the use and accommodation they afford, on payment of a rent or hire. In thus adding to his property, he increases his future resources. As the property of an individual can be increased only by what he saves from his revenue, so the property of a nation, which is the sum of that of all the individuals who compose it, can be increased only in the same manner. Thus frugality, by augmenting the future produce of industry, and multiplying the objects of property which afford lasting use and enjoyment, gives the means of maintaining a greater population, and creates a fund for the subsistence of additional numbers in all times to come. In private families, property affords the means of establishing children in the world in an advantageous manner at an early period of life, and thus causes early marriages to take place amongst them. The same consequences result from the same causes amongst nations. In the latter case,

it may be less easy to trace the consequences, but there is no difference in the result.

Since the accumulation of property confers so great a benefit on the community at large, especially on the great mass of the people, who have little or none, we ought on no account to discourage hoarding. It is a great error, and one which has been too long prevalent, to suppose that spending is doing good, and that hoarding is withholding a good which ought to be conceded. To spend in promoting the welfare of others may be meritorious, but to spend on one's own gratification, though often the best way in which money can be disbursed, is, nevertheless, a propensity to which mankind are already sufficiently prone, and which needs no commendation of others to excite. So far is it from being the case, that to spend largely on ourselves is to do good, that the reverse is the fact; and that man ought to be accounted the best member of society, who is the most frugal and economical in his own enjoyments. The miser, though he regards neither family nor friends, hardly attending even to his own personal wants, is, notwithstanding, one of the most useful members of society. Scarcely any one does more for the benefit of others, especially of the poor. He toils and schemes incessantly, and subjects himself to all sorts of cares and privations, not, as it turns out, for the benefit of himself, but of others. Without motives of philanthropy or charity; an utter stranger to sympathy with the wants of mankind at large; without even intending or desiring to benefit any one but himself; yet he contributes more to the comfort of others, and less to his own, than almost any other man. Unlike the miser of early times, with his treasures locked up in chests or buried in the earth, the modern miser is the employer of labour, and the promoter of every useful and valuable branch of industry. His accumulations afford to industry the greatest facility, and increase the quantity and quality of its products. His hoardings tend to render capital abundant, to reduce its profits; make commodities cheap, and bring them within the reach of the poorer classes. Could he carry his wealth with him when he dies, his savings even then would not be without their benefit: their effects would have lasted during his life. But since he cannot do this, their effects

are permanent. The benefits his wealth dispenses are twofold,—first, as respects society at large ; and, secondly, as respects the individuals who inherit his fortune. The accumulation of his wealth, into the hands of whomever it may fall, benefits society by multiplying and cheapening commodities : it benefits his heirs by the enjoyment its ownership confers, and that without any sacrifice of labour or care on their part to procure it. Since, then, accumulations are of so much advantage to society at large, we may be well content to let alone those weak persons who save when spending would be most beneficial to themselves and families ; since their hoardings must sooner or later be enjoyed by others. We may admire, too, that admirable formation of society by which even the selfish feelings of our nature are made serviceable to the common good, and contribute to the general happiness, without any design on our parts.

Property is often destroyed by storms, inundations, fires, earthquakes, and other convulsive and destructive movements of the elements, which sweep away or destroy in an instant the labours and careful accumulations of years of toilsome industry. These calamities are beyond the control of man, and such as his foresight cannot guard against. Again, capital is frequently lost by unsuccessful undertakings or speculations in business, which fail to return the outlay embarked in them. An unprofitable adventure is the same as regards wealth, as an excessively prodigal consumption. The capital of the adventurer, and, consequently, a part of the capital of the nation to which he belongs, is lost, while the remainder is of course lessened, and with it the future resources of the country. The injury extends not only to the particular person and his immediate connexions, but to society at large ; for the injury of a part has an effect on the whole. Whether capital be destroyed or dissipated by accidents, through want of judgment in its employment, through misconduct or prodigality, its effects are the same.

However, the number of prudent and successful undertakings is everywhere much greater than that of injudicious and unsuccessful ones. Nations are never impoverished by private, though they sometimes are by public, prodigality and misconduct. The accumulation of property may be checked by excessive taxation ;

by the government failing to afford security of person and property to its subjects ; by its fettering or obstructing industry through its municipal or fiscal regulations ; by sudden and violent changes of policy, which derange the course of industry, and ruin the fortunes and dissipate the capital of individuals. The operations of government being usually on a great scale, their effects, whether favourable or adverse to the public interests, are of corresponding magnitude. By a wise and economical administration of public affairs, it aids powerfully, though indirectly, in the production and accumulation of wealth. By an unwise or profligate administration, it contributes no less powerfully to the dissipation of wealth and to national decline and ruin. Hence the importance of the inquiry as to the modes in which governments either aid or obstruct the accumulation of property.

The effects which the measures of government have on the property of a country, in leading to the production of durable articles which are suited for accumulation, are of an indirect nature. They are more direct and decisive on the saving or expenditure through which property is either accumulated or dissipated.

Amongst other ways in which governments retard the production and accumulation of stock, may be mentioned, excessive and accumulating taxation ; which lessens the means of industry, and, in diminishing the funds from which accumulations may be made, increases the difficulty, or deprives the people altogether of the power of accumulating. Neither the government itself, nor any of its officers, are engaged in industry ; neither do they produce any one object of stock : their labours are directed to the preservation of the public and private rights of the community. But, although the government does not increase the fund whence accumulations proceed, its taxes are drawn from that fund, and diminish its amount in a sensible degree. The public revenue is derived from the funds which have accrued from those sources that yield revenue to private individuals—land, labour, and capital ; but more particularly from labour, on account of its greater magnitude in comparison with the other two. It would have been possible, that the whole of this public revenue, which is drawn by taxation from the people,



might, if it had not been thus abstracted from them, have been all accumulated; since the income which remained to the taxpayers, after payment of the taxes, was found sufficient for their subsistence. But, although it is not probable that the whole would have been saved, a considerable portion would most likely have been so. However, the amount having been drawn from those who might have saved the whole, and having been paid over to other persons from whom services are required, it is not possible that these last can save any considerable portion of it; because it is the subsistence out of which they must be maintained, and the duties they have to perform occupy that time which might be devoted to procure an independent subsistence, without burthening the public. Besides this, persons engaged in business have stronger motives to accumulate, and greater facilities for that purpose, than officers employed by government, from the necessity of their having capital, the advantages they find to accrue from possessing it, and the ready means of employment they have for it. The officers of government, on the contrary, have no occasion to employ capital of their own, they could neither find employment for it, nor derive benefit from its investment: the only way in which they can dispose of stock is, by letting it out to hire. National industry is guided by the demand for its productions. The call for taxes which is made by the government, and the expenditure of those taxes by the individuals to whom they come, directs the industry of the country to the production of those articles which minister to present wants and are quickly consumed, not of permanent usefulness.

Nevertheless, when taxation is kept within reasonable bounds, the government assists in the most decisive, though indirect manner, in the accumulation of wealth, by the security which it affords to the individuals who are engaged in industry, or who possess revenues, and the confidence which they thence entertain of enjoying the full advantage accruing from an accumulation of property when this accumulation shall take place.

To the accumulation of wealth, security of property is absolutely indispensable. It is even more indispensable to accumulation than to production itself. No person can be expected to

deny himself a present enjoyment, which would arise from the consumption of a commodity which is within his power, unless he possess a well-founded expectation of acquiring from such forbearance some greater pleasure, or avoiding some greater evil than the present denial, at a future time. Urged by hunger or distress, a man will labour to procure a supply for the immediate necessities of nature, though not positively certain of enjoying the fruits of his exertions. Under such circumstances, even the chance only of reaping the fruits of labour is better than the endurance of the urgent pains of present privation. But the treasuring up and accumulating property, when a man is doubtful whether he will be able to retain it, and much more when it is nearly a certainty that he will not be allowed to enjoy it, through the extortion of a rapacious government, or the plunder of lawless depredators, is altogether different. That a man should undergo the toils of labour, and abstain from immediately consuming its produce, in such circumstances, would be contrary to all experience, and at variance with the common feelings of our nature. Circumstances the most favourable to opulence, from skill in industry, richness of soil, excellence of climate, and the like, cannot preserve a people from sinking into poverty, misery, and barbarism, when property is exposed to rapine and plunder. Insecurity of property, therefore, is the most dangerous evil to which the inhabitants of any country can be exposed. It operates in a more effectual manner in preventing accumulation, and dissipating that wealth which may have been already acquired, than any other circumstance. Hence the protection of liberty and property is the first and most essential duty of civil government.

Insecurity of property may be the result of the weakness, incompetency, or neglect of government, in its failing to protect its subjects from the depredations of foreign enemies, or to repress and punish crimes at home. Again, such insecurity may arise from an imperfect or inefficient system of laws, attended with much expense, delay, and uncertainty, or much encumbered with forms, difficult to be known and complied with; in consequence of which fraudulent men may either evade payment of their debts, or avoid making recompence for injuries

occasioned or frauds committed on other men. The law sometimes may be too oppressive and ruinous in its punishments ; by which moderate men may be deterred from prosecuting, or petty offenders suffer unnecessary injury. Lastly, it may be rendered nugatory by a corrupt administration of it.

Accumulations may be retarded by impediments in acquiring property, from settlements, entails, duties, or excessive legal formalities attending its sale and transfer. Where some men are prevented from selling, others must be prevented from buying. Though the mere transfer of any property from one person to another cannot increase the property, yet it certainly increases both its usefulness and value ; which are equivalent to an augmentation of the property itself. If the property had been of as much use or value to the original possessor as to the purchaser, the one would not have sold nor the other have bought it. Both of them contemplated an advantage, and in most cases both acquire it, by exchanging what was comparatively unsuitable, for what is better suited to their wants. If all property were under strict settlement or entail, it is evident there would be little inducement to accumulate money ; because there would then be scarcely any property to be purchased to procure a rent or return of revenue ; and as, in this extreme case of strict entail, the inducement to accumulate would be almost taken away, so we may perceive that to place property in part under settlement or entail, must in part diminish the inducement to accumulate, by diminishing the opportunities of purchasing, and thereby enhancing the terms, and lessening the advantages to purchasers. The expectation of possessing property is, doubtless, the cause of the accumulation of money. But, although this be the motive of accumulation, yet the ability to sell property is not always the cause of money being squandered away. In some few instances it may be the case, but cannot frequently be so ; for there are many reasons, besides that of having squandered away money, which may induce a man to sell his property.

But the great mischief of settlements and entails is, that they often consign an estate to nearly perpetual barrenness. The holder who has but a life-interest in an estate has less inducement to im-

prove it than if it were absolutely his own, and he might dispose of it in any way he pleased. Frequently he has not the means of making improvements, or if he have, is withheld from so doing by the desire of making provision for some branch of his family for which the entail has made none. But it is seldom that a new purchaser of any property does not expend something in improving it; sometimes he spends as much in improvements as the original purchase money. In real property that is not entailed, the expense of the transfer is greater in proportion on properties of small than on those of considerable value. But the greatest difficulty in accumulating is in the beginning; and the relatively greater expense of investing small savings in a productive way, adds to this difficulty; by this means preventing altogether some persons from advancing themselves, and retarding the advancement of others, perhaps for years; when, if the difficulty of the first efforts had been less, their after-progress would have been easy and rapid.

The accumulation of property may be checked by a rigid distinction of ranks, or by fixing at some point the highest elevation to which an individual may aspire. The objects of ambition are different in different men; some desiring honour, while others are content with mere riches. Hence an interdiction to rising from an inferior to a superior rank, must take away the stimulus by which some men are urged on to exertion, and sink them into lethargy; while, without this interdiction, their efforts would be directed to the acquisition of wealth, as the means of acquiring an elevation of rank.

But the great engine employed by governments, not merely for preventing the accumulation of property, but for the actual destruction of what has been already accumulated, is war. In the operations of war, property is destroyed to an incalculable amount, and its owners reduced from affluence to poverty, while industry is suspended, and the source of future supply, for the time, cut off. Again, the immense sums which are raised in taxes to support hostilities being drawn from the people, their means are in that proportion diminished; they become impoverished and are prevented from saving from their incomes to add to

their property, or perhaps from keeping up the amount of property they possessed before. The men engaged in warfare are taken from productive employments in which they contributed to increase the quantity of property, and are employed in destroying the possessions as well as the lives of mankind.

When the government omits to raise within the year taxes sufficient to pay its expenses, the consequence is a diminution of national property. But as the manner in which this diminution is brought about will be spoken of when we come to treat on public debts, the subject will not be enlarged upon here.

It has been thought by some persons, that capital is multiplied by the operation of individual credit. Nothing, however, but a total ignorance of the nature and functions of capital and credit could have given rise to so great an error. Capital being that portion of our property which is used either to aid the human arm in the work of industry, or to form the materials on which labour is bestowed, it necessarily consists of materials and substantial articles of positive utility and value, and these cannot be multiplied by credit. A debt due to one party, but to be paid by another, neither increases nor diminishes the amount of property between the two. The works, machinery, utensils, and stock in trade, which a manufacturer employs, may, possibly, be wholly borrowed, and bills or other securities given for the repayment of their value. But the capital is not increased thereby. If it had not been borrowed, it would have remained in the hands of the lender, and have been susceptible of being employed by him; but, in such case, the manufacturer would not have had any capital in his possession. Now that the lender has parted with his capital, he is deprived of the means of employing it himself; which can only be done by the borrower. With regard to credit, it is unquestionably of great advantage, and contributes to the advancement of wealth, by effecting a more favourable distribution of capital than would otherwise exist. It transfers the possession and employment of it from persons who are unable or unwilling to use it, to those who are more able or more desirous to do so, and, consequently, likely to turn it to a greater profit. Bills and bank notes perform the functions of

metallic money, and by the substitution of a cheap for an expensive medium of exchange, set free the capital that must otherwise be employed in the expensive medium. But beyond the functions of money, notes and paper credit are utterly useless. They perform no part in the acquisition, production, manipulation, or distribution of the objects of industry. They are merely the evidence of the existence of debt : of value, undoubtedly, as evidence ; but no further.

On the other hand, the government operates in a powerful manner on the accumulation of property, and particularly in lowering the interest and profits accruing from it, when the public revenue exceeds the public expenses, the excess of which it employs in paying off its funded debts, or in constructing works of public utility, which yield a profit or advantage to the nation equivalent to their cost. In this case a forced accumulation of property is the result. Usually, taxes are drawn from the contributors in small sums, which are in general paid out of their revenue, and their unproductive expenditure is by so much curtailed. It is seldom that the people trench on their capital in order to pay their ordinary taxes. When, therefore, these small sums which are drawn from revenue, and which curtail unproductive expenditure, become collected together and paid in large sums to the public creditors in the purchase of stock, they are afterwards employed by these persons in the function of capital to augment future production ; and the national wealth is increased in proportion. It is but a small number of the people who ever accumulate, if left to themselves. Usually, some few are spending more than their incomes, while others are spending less ; and among a vast number of persons there must be a great uniformity from year to year in the whole amount squandered, and the whole amount accumulated, so as to approach towards an equilibrium. But when thus the state takes upon itself the business of accumulation, forcing the people to contract unproductive expenditure, and hand over revenue, which is afterwards employed as capital, the case is different ; and an increase of property nearly commensurate with the sums so withdrawn from unproductive consumption is the result. The effect is the same as if every individual in the country had laid

by a portion of his income, equal to the excess of taxes which is thus drawn from him ; and his future circumstances become every year improved by as much as the interest this accumulation would yield. For, through the reduction in the amount of the public debt, a saving of interest on it is effected, which gives the power of reducing taxation for the time to come ; or, which is the same thing, of establishing a sinking fund to accumulate, to take off taxes to a larger amount at some more distant period.

From this forced drain of money from the people, the first effect is to change in some degree the direction of industry from the production of articles of expenditure to articles of capital ; a check is given in a slight degree to the production of articles of luxury, at the same time that a stimulus is applied to the creation of articles of necessity. Were the government to retain its surplus revenues in its coffers, this would contract the currency, and a partial stagnation of business would ensue ; but when the government immediately pays over the surplus to its creditors, an abundance of capital will be the result, and its owners will be unable again to invest it in a way to produce the same interest they obtained before. The interest of money will fall ; a part will go abroad to seek employment in securities or property in foreign countries, and a part will be invested at home in new employments of a less productive nature than the old. With the fall in the rate of interest, there will be a reduction in the rate of profits on capital in business. More capital will be invested in machinery, in agricultural improvements, in commodious buildings and methods for abridging labour. Whatever be the rate of interest at any time, there is a certain limit to which machinery and improvements for abridging labour may be profitably extended ; but beyond which they would be productive of a loss. This limit is altered by a reduction of interest, and such improvements then admit of being carried farther than before. With the extension of machinery, cultivation, and improvements, the productive powers of industry are augmented, commodities become more plentifully supplied, particularly those in which capital forms a principal part of price, and with this increase of productiveness and reduction of

profits of capital, their prices must fall; the necessities and comforts of life will be more easily procured, and an improved and more healthy state of society be established. When through the liquidation of part of a public debt capital is sent abroad to seek employment in foreign countries, it must be the products of domestic industry eventually that will be exported for this purpose. Having no gold and silver mines, nor more specie than is sufficient for circulation and other domestic uses, we cannot send money abroad in any considerable quantities; or if bullion be sent at first, its value at home will rise; and thus home commodities will be sent abroad to purchase more to replace it, until its former value, in relation to other things, shall be restored. Such exportation of capital will therefore occasion no diminution of employment or stagnation of trade, but only divert it into other channels.

That which theory points out as the necessary result of an excess of revenue applied to the liquidation of a public debt, has, as far as practice gives an opportunity of judging, been uniformly confirmed by experience. "When Pope Innocent XI., in 1685, reduced the interest of his debt from 4 to 3 *per cent.*, and employed the sum saved to accumulate, but a short time elapsed till the new 3 *per cent.* fund sold at one hundred and twelve. In like manner, when the interest of the national debt of England was reduced, in 1717, from 6 to 5 *per cent.*, and the saving devoted to accumulation; the consequence was, that in 1727, from the rise of public securities, there was an opportunity of again reducing the interest from 4 to 3 *per cent.*, and of applying an additional sum to accumulate. This, of course, produced another rise, and to such a degree, that, in the year 1733, we learn the sinking fund, which had grown to a great maturity, and produced annually about £1,200,000, was become almost a terror to all the individual proprietors of the public debt."\* Yet the amount of debt paid off by this fund in the preceding five years, and which had caused the price of stock to be at 101, had been but little more than £5,000,000. Again, on the revival of the system of a sinking fund in 1786,

\* Earl of Lauderdale, p. 249.



the price of three *per cent.* stock, which at the close of the American war had been at 60, and in 1787 was 74, rose gradually till 1792, when it reached 96; yet the whole sum accumulated during the five years amounted only to £5,424,592. A corresponding rise in the English funds has also occurred since the termination of the last war. In 1815, three *per cent.* stock was at 60, and in 1825 at 96. The pressure on the mercantile and monied interests at the close of that year, caused first by the extension of the paper currency, and the exportation of capital and specie, and then by the contraction of the paper currency, occasioned this stock to fall rapidly to 72; since which it has again greatly risen.

A great accumulation of property, though highly beneficial to a community at large, and more especially to those classes which have little or none, by lessening the interest they have to pay for the use of it, when they hire, and by lowering the prices of all those articles in the production of which capital is employed, is, however, in some degree disadvantageous to those persons who already possess property and let it out to hire, by lowering the return it procures them. They partake, indeed, in the common advantage of the reduced prices of articles of expenditure, but this is not equal to their loss through the reduction of their interests or profits. As, however, the number of persons who possess property is much fewer than that of those who have none, an increase of property is greatly to the advantage of the people on the whole.

But parsimony, like everything else, has limits beyond which it cannot advantageously be carried. In every stage in the progress of society, there is a point beyond which no useful accumulation of stock can be effected. As in the case of an individual, there are times when to save would be worse for him, even in the long run, than to spend, so it is with a community.

In every stage of society, there is a limit beyond which no further employment could be found for an additional quantity of capital, or beyond which the employment of a further quantity would cease to be of use; and this limit, though never yet arrived at, and though different in different stages, is gradually more nearly approached in the progressive accumulation of capital.

It is true, no example can be adduced in proof of this position. No nation, of which history furnishes us with any knowledge, has ever yet arrived at that limit beyond which the employment of more capital would be useless ; but, notwithstanding this, we cannot doubt that most nations which have advanced far in the career of opulence, have gradually approached nearer towards it. In our own country, we shall be satisfied that this has been the case ; especially during periods of peace, accompanied with an excess of public revenue over the public expenditure. The interest of money is an index of the profits of capital which cannot mislead. During every peace of any considerable duration which has occurred for the last hundred years, the interest of money has very materially declined ; often to one half of what it was during the previous war. Whence, we cannot doubt that the accumulations of further capital which were made in those periods, could not find employment with the same facility as before ; that the advantages accruing from the employment of additional quantities of capital have not been in the same ratio with that of the quantity previously employed ; and that the country in those periods was gradually approaching that point beyond which no more capital could be employed with profit.

The advantages accruing from the employment of capital consist, either in lessening the labour that must otherwise be exerted to acquire the same commodities, or in enabling labour to produce commodities in kind or quantity which, without capital, would exceed its power of producing. But in the application of labour there is only a certain quantity of capital that is wanted, or that can be usefully employed in performing, supplanting, and assisting labour ;—a certain quantity of raw materials, and tools, workshops and storehouses of a particular description ; and a certain quantity of food to support the labourer while employed. The quantity, the goodness, and the costliness of these, cannot be advantageously carried beyond a certain limit, and there is a distant point beyond which their increase would be, not only useless, but injurious. For example, what beneficial effect on production would be occasioned, when a workman is furnished with a complete set of tools and machines of the best description, to double their quantity or costliness ?

They would only be an encumbrance on his hands. Or, when he is supplied with an ample store of food of the best and most nutritious qualities, of what advantage would it be, to surfeit him with double its quantity, or to feed him with dainties instead of with plain and wholesome food? When he is amply furnished with every species of capital which can give efficiency to his labour, the possession of a greater quantity than can be so employed, would produce no profit or revenue, and confer no benefit, either on its possessor or on the community. Such an excessive accumulation of the objects composing capital would occasion them to be no longer objects of desire, and they could then only prove an annoyance and a burthen on our hands.

True it is, that in the progress of knowledge, man's invention discovers larger openings for capital, either in new branches of industry, or in old branches to a greater extent. Machinery of a more costly and efficient kind may be invented, by which fresh openings may be made for the employment of additional quantities of capital by the same workmen, without a falling-off in the rate of productiveness; though, in fact, new discoveries and improvements have in general the effect, not of affording employment for more capital, but of increasing the efficiency of the quantity already employed. But this supposition of future circumstances does not invalidate the position, that at any given period in the duration of society, it is only a certain quantity of capital, determined by the existing state of knowledge in the art of supplanting, performing, and assisting labour with capital, that can be usefully and successfully employed in production, and beyond which an additional quantity would not merely be unprofitable, but disadvantageous.

As with capital, so it is also with the other objects of stock of a durable kind. When every species of it exists in such abundance as to afford all the use and accommodation of which it is capable, in such circumstances, to add further accumulations would only be to feed a depraved appetite. Suppose there were houses already built sufficiently numerous and commodious for the comfortable abode, and to answer all the wishes of the community, of what use would it be to debar oneself the enjoyments which would proceed from the immediate con-

sumption of all the objects which must be dispensed with, and expended in the purchase of materials and payment of labour to erect more houses? The same is the case with household utensils and furniture, books, pictures, statues, and works of taste. If there be enough to satisfy every wish, to spend time and labour in the acquisition of more, would be vain and useless. If there be enough in number, the only desire that could exist would be to procure others of more exquisite taste, beauty, or rarity. In the event of a further advancement of art, such may hereafter be obtained; but until that further advancement be made, to obtain more in number, but of no greater utility or beauty, could only minister to the desire of variety or change. The same remarks apply to every other article of stock. No additional revenue could be acquired from an addition to such things, since no further use or advantage could be acquired from their possession.

However, both capital and other durable articles of stock may be produced, and laid up in store, with a view to future as well as to present use, and to supply our wants and exempt us from labour when those now in use may be no longer serviceable; and this without other view of profit or advantage in the interim. A man in youth and health might produce articles which are not of a perishable nature, and accumulate them to supply his necessities and save his labour in old age, when his health and strength may be no longer equal to the task.

This view of the subject gives an especial importance to the study of nature, in order by new discoveries and inventions to extend the field for the employment of capital and to heighten its efficiency, which is even more indispensable to the good of the community than either the labours of the miser who accumulates capital, or of the artificer who employs it. The latter contributes to the present existence of mankind, the two former to its future existence in greater numbers and affluence. But, while there are limits to the service which the miser can render, there seem none to the services of science. When an abundance of stock shall have been accumulated, the talents of the philosopher will then be called more into requisition; and the energies of the people take another direction. It were vain to accumulate

capital until a glut of it should be produced ; and if this point shall ever be nearly approached, human energies, in such case, must be applied, not to a further accumulation of material, but of intellectual riches.

When we compare the state of a nation at different periods of its existence, and find that the produce of its land and labour is evidently greater at one period than at another, that its lands are better cultivated, its manufacturing establishments more numerous and of greater magnitude, and its trade more extensive ; we may be assured, either that its capital must have increased during the interval between those periods, or that the effectiveness of its industry has become greater. We shall find this to have been the case with almost all nations, in tolerably quiet and peaceable times, even of those that have not enjoyed the most prudent and parsimonious governments. To form a right judgment on this point, indeed, we must compare the state of the country at periods somewhat distant from one another. The progress is frequently so gradual, that, at near periods, the improvement is not only not sensible, but, from the declension either of certain branches of industry, or of certain districts, things which sometimes happen, though the country in general is in prosperity, there frequently arises a suspicion, that the riches and industry of the whole are decaying.

“ The annual produce of the land and labour of England, for example, is certainly much greater than it was at the restoration of Charles II. Though at present no one doubts of this, yet during this period five years have seldom passed away, in which some book or pamphlet has not been published, written, too, with such abilities as to gain some authority with the public, and pretending to demonstrate that the wealth of the nation was fast declining ; that the country was ruined, agriculture neglected, manufactures decaying, and trade undone. Nor have these publications been all party pamphlets, the offspring of falsehood and venality. Many of them have been written by very candid and intelligent persons, who wrote what they believed, and for no other reason but because they believed it.

“ The annual produce of the land and labour of England, again, was certainly much greater at the restoration than we

can suppose it to have been about a hundred years before, at the accession of Elizabeth. At this period, too, we have every reason to believe, the country was much more advanced in improvement, than it had been about a century before, towards the close of the dissensions between the houses of York and Lancaster. Even then it was, probably, in a better condition than it had been at the Norman conquest; and at the Norman conquest, than during the confusion of the Saxon heptarchy. Even at this early period, it was certainly a more improved country than at the invasion of Julius Cæsar, when its inhabitants were nearly in the same state with the savages of North America.

“ In each of these periods, however, there was not only much private and public profusion, many expensive and unnecessary wars; but sometimes, in the confusion of civil discord, such absolute waste and destruction of stock, as might be supposed, not only to retard, as it certainly did, the natural accumulation of riches, but to have left the country, at the end of the period, poorer than at the beginning. Had not this waste and destruction taken place at different times, the produce of the land and labour of the country would have increased every year, and every year's increase would have augmented still more that of the following year. More houses would have been built, more lands would have been improved, and those which had been improved before would have been better cultivated; more manufactures would have been established, and those which had been established before would have been more extended; and to what height the real wealth and population of the country might by this time have been raised, it is not perhaps very easy even to imagine.”\*

\* Wealth of Nations, Book II. ch. 3.

## BOOK IV.

### ON TAXATION.

#### CHAPTER I.

##### ON THE EFFECTS OF TAXATION.

TAXATION transfers a portion of the returns yielded by the agents of production—land, capital, and labour, from the hands of their owners to the hands of government. Instead of affording some direct personal gratification to the individual owners, or being employed to augment their capital, these portions are earned and enjoyed by the officers in the employ of government, while the advantages derived from civil government constitute the return to the contributors for the sacrifice. Of all popular topics of declamation, the burthen and oppressiveness of taxes, and especially their injurious effects on industry and the condition of the working classes, form the most frequent and effectual means of exciting hatred against existing governments. Yet when public measures are conducted with wisdom and economy, so far from there being any loss to individuals from this transfer of a portion of their income to the state, the security and other social advantages it purchases, far exceed the enjoyment which, without such security and other advantages, those products could possibly afford, should they remain in the possession of the individuals themselves, and be expended at their pleasure. It is only when there is a want of wisdom or of economy in the administration of public affairs, that taxation becomes burthensome and injurious to the people. It is not true, as is sometimes affirmed, that “taxation is but a choice of

evils," and that " of all systems of finance that is the best which spends the least ;" for the advantages which civil government procures, are incomparably greater than the sacrifice at which they are usually purchased, even under the maladministrations which have been witnessed, both in ancient and modern times. If this were doubted, we need but look for its proof at the state of the people in the civilized countries of Europe, as compared with their state amongst those savage nations, where no taxation exists. When a man fences in his property, or houses it for protection from depredation, we never say that the payment of the expense is but a choice of evils, seeing that the value of the security thus obtained far exceeds the cost at which it is acquired. Why then shall we declaim against taxation, which is but the payment for that moral fence by which our lives and fortunes are encircled and secured ; which only deserves to be deprecated in its excess or abuse ?

Unfortunately for the people, princes are usually surrounded by persons who have an interest in a lavish expenditure of public money. Holding emoluments derived from the public purse, or seeking for them, their interest is, not merely to be liberally, but extravagantly paid. The public service being conducted by persons whose interests are opposed to those of the people, it is not to be wondered at that it should seldom be conducted with that economy which is practicable, and which is consistent with the public interests. To such persons we owe the invention and propagation of arguments to prove that magnificence and profuse expenditure are conducive to public prosperity ; and that taxation, although unnecessary, so far from being an evil, is beneficial to the state, and promotes the increase of national industry and wealth. To reason seriously against such fallacies might be thought trifling with the reader's patience, had it not been that we have seen them, not only openly avowed, but systematically and extensively reduced to practice ; and hence it is impossible to deny that they are deserving of refutation.

It has been already shown, that though the money which is raised in taxes is refunded to the people by the expenditure of the government, the people are still not the less deprived of the comforts they would have enjoyed, had the money not been



taken from them ; for they never get back the things which were parted with in order to procure the money wherewith the taxes were paid : and the money, when it is returned, is never restored gratuitously, or refunded by the public officers without an equivalent for it ; but is only repossessed, either by being earned by personal services rendered, or by the sale of goods of equal value ; just as though it had been obtained in the way of trade for goods or services of equal value, or just as though it had never been in their hands before.

The fact is, the principles which apply to the ordinary articles of the people's expenditure, apply equally to the government services which are rendered them. It is their interest to purchase food, clothes, and other things, in a cheap and good market, and it is likewise their interest to procure the performance of the civil services of which they stand in need at a cheap rate, and in an effectual manner ; and as much so in the one case as in the other.

The effect of taxation on the expenditure of the people is to diminish that expenditure, by depriving them of a part of their means of spending. This is equally the case whether taxes be imposed on commodities, or directly on the individuals themselves. In raising the prices of commodities, taxation both lessens the number of persons who are able to purchase them, and curtails the extent of the power of purchasing in those who are not wholly deprived of that power. But although the people's means of purchasing are diminished by the payment of taxes, the demand for commodities and labour on the whole is not thereby diminished, (at least not in the first instance ;) for these taxes being paid over to persons in the government employ, enable these last to purchase to as great an extent as that in which the ability of the tax-payers themselves is curtailed. Even the expense of collecting the taxes occasions no diminution of demand ; for whatever may be the cost of collection, it enables the collector to expend precisely to the extent of its amount. The only difference on demand caused by taxation is, therefore, that the persons are different who have the spending, accompanied perhaps with some slight difference, not in the amount, but in the kind of articles demanded ; occasioned by the dif-

ferent nature of the wants and tastes of the consumers ; the persons who consume being in part persons who live on the taxes as well as those who pay them. This effect on demand, however, is only the first effect. When an unnecessarily large amount of taxes is drawn from the people, and for the excessive portion of which no equivalent is returned to them, their power of accumulating capital, and of acquiring that knowledge and skill through which their industry may be most successfully applied, is contracted. With this contraction in their power of production, their expenditure in future must be diminished in a corresponding degree ; and demand, which is always commensurate with production when properly applied, must fall short of that magnitude to which it would otherwise expand.

We have observed already, that it has been contended that taxation operates as a stimulus to industry, and calls forth exertions which would never otherwise be made. As a first effect, it may be admitted, that the imposition of a greater burthen of taxes has this effect ; though as a lasting effect it has not. But, whatever may be its real effects, it is not likely that public wealth can be at all augmented in this way. Objects of wealth created by a forced industry, impelled by the feeling or apprehension of want, are seldom produced for the purpose of being added to capital. When produced through unnecessary taxation, they are to be consumed in the support of persons who either do nothing at all, or are employed in doing what is of no real benefit to the community ; and who, if not so supported, would occupy themselves in adding by their labour to the products of national industry, and in supporting themselves independently of the exertions of others. Industry thus extorted from the people and consumed in useless expenses, cannot add to capital or to future production ; nor can it be kept up except under the same apprehension of want. The additions made to capital must be expected to be in proportion to the facility and success of production ; not in proportion to the difficulties and privation under which industry is exerted, and the smallness of the produce which taxation leaves to those who labour. But the success of industry must be in proportion to the aid it successively receives from

previous accumulations of capital, and to the knowledge and skill of the labourer, which ease and affluence give him the power of acquiring. Taxes, therefore, when raised and expended by the state in procuring no beneficial object, or in procuring even a beneficial object at a profuse expense, and which, consequently, operate in contracting the productive powers of industry, act in the same way as excessive private expenditure, in impoverishing both the people and the state. Whatever stimulus they may afford to industry in the first instance, they cannot but keep down future production and future opulence, by withdrawing the assistance which industry would otherwise derive from acquisitions of additional capital and skill. As much as excessive taxation keeps down future production, so must it keep down future expenditure, which is always commensurate with its means. Taxation, then, so far from being favourable to production and expenditure, cannot but be adverse to them, and ultimately diminish both.

Unquestionably, the richest nations are those which are the most grievously taxed; as England and Holland, for example; while, on the other hand, the poorest nations are those which have no taxes whatever. But it would be a manifest inversion of cause and effect thence to conclude, that the superior opulence of some nations has arisen from the heavier amount of their taxation. It is their opulence which enables them to pay so largely, and not their paying largely which has made them rich. No man could expect to enrich himself by rivalling the expenditure of his richer neighbour. The rich man spends largely because he is rich; but never can enrich himself by the act of spending. The same rule applies to the condition of nations.

There is one way in which taxation may be successfully employed as an instrument for the accumulation of property, and the advancement of national opulence. This is, when its proceeds, instead of being expended in ostentatious, useless, or unprofitable consumption, are applied to reduce or pay off a public debt; to construct works of public utility which yield a profit or advantage to the nation equivalent to their cost; or, in short,

to any other productive employment. In this way, as we have already observed, the effect of taxation in enriching a country is direct and powerful.

Heavy taxes are the source of an inconceivable amount of fraud, deception, and perjury. When taxation is excessive, it is the same on the community at large as inequitably apportioned taxation on individuals, which is excessive to those on whom the burthen is too heavily imposed. Men of conscientious principles are thus presented with the painful alternative of violating candour and truth, or of submitting to an exaction which is an aggression of fraud and force against them, and from which their less scrupulous neighbours contrive to escape.

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## CHAPTER II.

### ON THE PARTIES UPON WHOM TAXATION ULTIMATELY FALLS.

TAXES may be imposed in an endless variety of ways, yet as regards their real incidence, they may be referred to three classes only; namely, 1. Taxes which fall on the soil and other natural and indestructible sources of production; 2. Taxes which fall on capital and other property of a more or less perishable nature; and, 3. Taxes which fall on labour. Land, capital, and labour, the three agents in production, are the three original sources of revenue; and, if we include in the term capital all property the creation of labour, it is on the owners of one or other of these that every tax must ultimately fall.

It may be laid down as a maxim, that any tax which is imposed directly on any one of these three classes cannot be shifted off from itself to either of the other classes.

When a tax is imposed upon land, the effect to the proprietors is the same as though the government had appropriated a share of the land to itself, and left them only the ownership of the other share. Now a tenant will not give more rent for the land,

because the government and the proprietor are joint landlords, than he would do if the proprietor were the sole landlord. He would not be able to give more on this account ; because neither the quantity nor the quality of the produce is increased through the tax being laid on ; again, neither the ability nor the inclinations of the consumers are augmented, so as to cause a greater demand and value for it than before, nor is the cost of cultivation altered (provided the tax do not exceed the rent). On these several accounts, therefore, the rent cannot be raised ; for the tenant has not the means of paying more. The landlord cannot change the land into anything else which is untaxed, in order to evade the payment of the tax. He cannot remove it out of the country. Even if he sell it, he can gain no advantage ; for whoever should purchase it would give only such a price as is proportionate to its net produce, after deducting the tax and other outgoings. Thus, there are no means by which the owners can escape from the payment of the tax, or throw off the burthen from their own shoulders to those of any other persons.

It is the same with any particular portion of land. The owner of an estate which is charged with a heavy and unequal assessment must bear the whole burthen of the impost ; and this for the same reasons as have been already stated with regard to land in general.

The same observations which apply to land apply equally to all other property of a fixed and durable character, which cannot be changed in its form, or carried out of the country. Let us take a house, for example. Now any tax, or unusually large portion of a tax, laid on a particular house, must be borne by the landlord in the end. During the currency of a lease, the tenant, perhaps, may be compelled to pay it. But at the expiration of the term, the tenant will not renew it except on conditions in which this tax is taken into consideration. The house is none the better for the tax ; nor is it more in request than before ; and hence if the tenant is compelled to pay the tax, an equivalent reduction must be made in the rent ; or he would quit the house and take another. Similar results would ensue from the first operation of a tax on houses generally ; though ultimately these results would be modified ; and

herein constitutes the distinction between property of a perishable and property of an imperishable nature. For the reasons above stated, a tax on houses generally would, in the first instance, fall wholly on the owners; but eventually they would be enabled to shift it in great part upon the tenants. When the tax is first laid on, the landlord's capital is already invested in houses, which he cannot change into property of any other kind, and, consequently, cannot escape from the payment of the tax. But as it happens, in the course of years, that houses go to decay and require to be rebuilt, as well as that, in the progress of population, more houses are in request, no man would invest newly-created capital in rebuilding houses gone to decay, or building fresh ones, unless capital invested in houses yield after the payment of the tax an equal return with capital invested in any other shape. Thus the supply of houses would be lessened, or the demand for them increased, until an advance of rents should take place equivalent to the tax. Hence, in the shape of an advance of rents, the whole burthen of the tax would in the end fall on the tenant. A tax on the *occupation* of houses is demanded of the tenant, and paid by him: the landlord bears no part of this tax.

As it is with a tax imposed on houses, which does not extend to other property the creation of labour, so it is with all other property of a perishable nature. From the circumstance that this kind of property wears out and becomes unserviceable, it happens that a tax on any particular description of it, and not extending to other descriptions, though in the first instance borne by the owners, will not be so borne ultimately, but will fall on the user or consumer of it. As the old capital goes to decay, and new capital is invested in preference in the untaxed instead of the taxed class of investments, the supply of the taxed class becomes diminished, and the owner is ultimately enabled to raise his charge for rent or hire, and throw the burthen of the tax upon the tenant or employer of it.

In this circumstance of the perishableness of capital and of all other property the creation of labour, lies an important distinction, as regards their real incidence, between taxes on such property and taxes imposed upon land. The supply of the dif-

ferent kinds of such property is under control, and may be increased or diminished as a greater or less advantage is expected in one kind than in another. But land remains for ever, and its quantity cannot be increased or diminished. The supply of it is not under control, and hence an impost on land is a permanent impost on the proprietors, which they cannot shift from themselves to any other persons whatever.

If a tax on property extend alike to every description of it, in such case, the owner will be unable to shift the burthen of the tax upon the tenant or user of it; because as the different kinds are made to pay equally, there can be no advantage gained, as regards taxation, by investing newly-created capital in one way in preference to another. The relation of the supply and demand of the different descriptions will continue in time to come wholly unaffected by taxation, except so far as the government going shares with the owners in the profits may tend to prevent so great an accumulation of property in general as might otherwise be expected to take place. If we leave this last-mentioned result out of the question, it must be admitted that the government going shares with the owners of capital and other property in its profits, cannot increase the utility of the property or the produce it yields; neither will it occasion any greater scarcity or larger demand for it; and, therefore, as neither the quantity of produce nor its value can be affected, no one will give a higher interest or hire for its use. If the owners of this property would dispose of it to the landholders, they must still submit to the disadvantage of the tax; for they would only get so much land in exchange as would yield a rent proportionate to the *net* profits of the capital, after deducting the tax.

There are limits, however, within which a tax on property of a perishable character must be kept, in order to prevent its being thrown on the shoulders of the user of it. In this respect, it is different from a tax upon land. A tax on land may be raised so high as in effect to appropriate the whole or nearly the whole property to the state, and the landlord, so far from being able to raise the rent in consequence, must submit to lower it in the exact measure in which the tax is raised. The farmer,

when he computes the returns he will get, after paying the expense of cultivation, is willing to pay over the surplus profit which his capital yields on the farm above what it would return in other employments, in rent and taxes; but as much as the taxes are increased must the rent be lowered. The rent, therefore, must be reduced as much as the taxes are raised; for without this, the farmer would abandon cultivation and turn to some other occupation. But since other property, unlike land, wears out in time and must be renewed, if taxation on it be not kept within moderate bounds, capital that is newly created, instead of being employed to keep up or renew the old, will be exported to other countries, where a lighter burthen of taxation, or other circumstances, may promise a better return to its owner. Again, as the government spends all it gets, and lays by nothing for repairs, or for renewal when the property shall become worn out, an excessive impost upon perishable property will lessen eventually the existing amount of such property. Hence, from this diminution, combined with the diminution occasioned by the exportation of new capital, its scarceness will ultimately raise the interest or profit on that which is left, so as in some measure to counterbalance to the owners their loss from the tax, and throw the burthen of it on the user of the property, or the party who consumes articles in the production of which capital is employed.

A tax imposed on a particular individual is borne by that individual, and by him alone. His labour is not more productive than before. Nor is there any greater power or inclination in his employers to purchase his labour or its produce. Neither production nor the relation of demand and supply is at all affected by such a tax; consequently, there will be no change in the value of his labour; and, accordingly, no one will give him more for it. It is the same with labour as a whole. Notwithstanding the assertions of political reasoners to the contrary, the labourers bear the whole burthen of the taxes imposed upon them.

But if a tax be laid on any person, or any class of persons, in respect of an occupation which they follow, and which occupation they can relinquish for some other with a smaller disadvantage



than the payment of the tax, such a tax will not be borne by them, but will ultimately fall in the shape of an advance of wages or prices on those who employ them in that occupation, or purchase the articles which their labour furnishes. Because, unless the workmen could get reimbursed the amount of the tax by their employers, they would turn to other employments open to them, in which they would not be taxed. It may be remarked, that this power of throwing off the burthen of a tax upon their employers, in the shape of an advance of charges, does not extend to those classes which should be peculiarly taxed, whose labour already bears a higher price than that of other classes in general. Neither does this power extend to such classes as, from some cause or other, are prevented from engaging in the untaxed and more lucrative occupations than their own. In these cases, the workmen, either not having the power of escaping from the tax, or if they have, and the tax does not exceed the higher wages they earn, not being able to gain any advantage by abandoning their taxed occupation and turning to some other which may be exempted, the whole burthen of this tax, though peculiar to their class, must be borne by it.

But if labour of every description be taxed equally one kind with another, there are no means by which the labourer can raise his wages, so as to reimburse himself and throw the burthen of the tax upon others : he must retrench his expenses, or increase his labour. In years of scarcity, we see, that the poor either consume less or work harder, or employ both these expedients of frugality and industry, in order to reach the end of the year. If it were possible for the labourers to escape from the tax, the only other parties upon whom they could throw the burthen would be the owners of property ; that is, of land, capital, houses, and the like. But what more powerful means than they now possess, and call into exercise, would the labourers acquire by the imposition of such a tax, so as to enable them to raise their charges and make the owners of property pay the tax ? “ Every man, to be sure, is desirous of pushing off from himself the burthen of any tax which is imposed, and of laying it upon others. But as every man has the same inclination, and is upon the defensive, no set of men can

be supposed to prevail altogether in this contest. And why the landed gentleman should be the victim of the whole, and should not be able to defend himself as well as others, I cannot readily imagine. All tradesmen, indeed, would gladly prey upon him, and divide him amongst them, if they could; but this inclination they always have, though no taxes were levied; and the same methods, by which he guards against the imposition of tradesmen before taxes, will serve him afterwards."\* Imagine that the government should demand the moiety of the workmen's wages by an income-tax. What fresh means, in such case, would they acquire of compelling their employers to advance their pay? Labour would produce no more on account of the tax. Society, on the whole, would not be improved thereby, so as to augment the demand for goods or labour. By what contrivance, then, could a man raise the price of his labour? There would be no more productions of labour to be exchanged with the productions of land and capital, and no new circumstances to confer an advantage in the exchange: the master who employs him will not give him more; neither can he, because he cannot raise the price of the articles, being limited by the price which his customers will pay; labour, then, would possess no higher value than before, and no advance of wages could follow. It is true, the government would come into the market with the proceeds of the tax, and with the power of purchasing a larger quantity of the productions of labour, land, and capital. But the additional demand for labour thus created, would be accompanied with a falling off in the demand, of precisely equivalent magnitude, from labourers for their respective labours, and for the productions of land and capital, through the curtailment of their means of purchase by the payment of the tax. Neither the landlords nor the capitalists would require more work than before the labourers were taxed; the condition of the men would be irremediable; they would in effect become slaves to their rulers, to subsist or starve at their mercy or pleasure. Undoubtedly there is a limit beyond which such oppression could not be exercised. There is a limit to human endurance; but besides this, there are other limits, even supposing the ut-

\* Hume, Essay 8.

most submission on the part of the labourer. Workmen die, and there is a considerable expense in keeping up a supply of them. If this expense be not allowed, the supply of labour, as the labourers die off, would be lessened. We might suppose that this lessening of the supply of labour in relation to the supply of land and capital would enhance its relative value. But we must recollect that this contraction in the supply of labour will be accompanied with a deterioration in its quality and productiveness, through the incapacity of the workmen to acquire that skill and knowledge which is essential to the successful exertion of their labour. Thus the condition of the labourers would, in all probability, not be improved by lessening the supply of workmen. The probable result would be, an impoverishment of the whole community; the interest of which is intimately bound up with the interest of the working classes. If, then, we put human endurance out of the question, the only limits to such oppression would be found in the conditions which nature has established as essential to the existence and propagation of the human race.

Yet Dr. Chalmers holds the very opposite view of the case to that here stated. He says, "Should a hundred millions be given annually in wages, and government lay an impost of ten per cent. upon the labourers, the ability of the original hirers to make offer of a hundred millions next year for service, is not at all affected by such a tax. But then the effect of it is, that it enables government to compete with them effectually in the labour market, to the extent of an additional ten millions; or, in other words, a hundred and ten millions may now be brought annually forward for the purchase of labour, instead of a hundred millions as before. But as there is no additional supply of labour by this process, the money price of labour would just rise to the full amount of the tax which has been laid upon it. The labourers would obtain a full indemnity for the tax, by the produce of it coming almost immediately back upon themselves. Insomuch, that were a poll-tax of five pounds a year laid upon each labourer, we hold, that an almost instant compensation would take place, by a rise to the same extent in the money price of labour. He bears it ostensibly, but not actually. In

point of semblance, it is a tax upon him ; but, in point of real incidence and effect, it is wholly upon his employers.”\* In reply to this statement, however, it may be observed, that the original hirers of the labourers are the masters and landlords, who produce food, clothing, and lodging *for the use of these labourers* and others, and in losing the labourers as customers for such articles to the extent of ten millions a year, their means of hiring them afresh must be diminished in the same proportion. The government, indeed, comes into the market with the ten millions, and makes up the deficiency in the power of the original hirers ; the result of which is, that by means of the two parties, there is the same demand for labour as before, and the labourers obtain the same sum in wages ; but they are *minus* the ten millions which is drawn out of their pockets by means of the tax which is laid upon them.

It is important that the effect of taxation on the working classes should be distinctly perceived and recognised. If this effect be not well understood, or misapprehended, the consequences in practice may be lamentable. Whether taxes be imposed directly on the labourer in the shape of a poll-tax or income-tax, or indirectly on the articles on which his earnings are expended, the result is the same in both cases. Excessive taxation trenches directly on the comfort and sufficiency of the labourers. A want of those comforts and of that ample supply of the necessaries which contribute to health, exposes them more to sickness, and shortens the average duration of life in their class, especially amongst children, who are more frequently cut off in early life from an insufficiency of sustenance. Those workmen who are above absolute want would be less ready to marry, when they could not bring up children and establish them advantageously in life. Thus population would be checked, at the same time that the quality of labour would become deteriorated, from the want of skill in the workmen. These two circumstances would have a direct effect in lessening the extent of cultivation and the rent of land. But though rents should fall, this fall would be inadequate to compensate to the labourer for the falling off in the productiveness of his industry, through

\* Polit. Econ. p. 270.

the disadvantages under which his labour would be exerted. The unproductiveness of industry would cause the amount of capital to diminish, as the old became worn out and no longer serviceable. A diminution in the number of workmen would not therefore produce a fall of profits, so as to give them an advantage, because the amount of capital would decrease also.

The remarks which have been now offered on the wages of labour apply also to the profits of trade. If the profits of one trade are taxed, as, for example, by a licence for permission to exercise it, while other trades may be followed without such licence, the licence-duty will be thrown on the purchasers of the articles, in the shape of an advance of price upon them. But if all trades were licensed, or all profits taxed, the dealers alone must bear the burthen. Even if the duty were to absorb almost all the profits, and leave only just sufficient to induce the owners to continue to employ their capital in trade, in preference to betaking themselves to manual labour, this, though an act of utter spoliation, would have little other effect on prices than as capital would in future diminish in amount, through the want of ability, and the absence of an inducement in the owners, to continue to preserve and employ it; the limited extent of the traffic, would cause its profits eventually to rise. Until that time, however, the dealers alone must pay the duty.

Taxes on commodities, though advanced in the first instance by the producers or dealers in them, fall wholly on the consumers. The duty on tea, for instance, falls on those who drink this beverage, whether of the class of landlords, capitalists, or labourers; and it falls, too, in the exact measure in which they consume it. These duties are not placed on all commodities, and those on which they are placed are not taxed in an equal degree; consequently, if the producers, importers, and dealers in the taxed articles, could not reimburse themselves for the amount of the tax by an increase of price on the articles, they would turn to other and more lucrative employments which are not taxed, or which are taxed only in a lighter degree. But if all the productions of industry were taxed, and in an equal degree; as, for instance, one *per cent.* on their value; this tax would fall on the producers. For the productions would remain

the same in quantity, and a part is taken away from the producers by the state; their value, however, would not be raised, because the demand and supply would not be altered (the receivers of the tax coming into the market in the same manner as the original owners previously did); consequently, the loss would fall on the producers.

In considering the incidence of taxes, and describing the effects which taxation produces on the condition of the different classes, it should be recollected that a variety of other circumstances operate from time to time to raise or lower the condition of particular classes. The rent of the landlord, the profit of the capitalist, and the wages of some or all of the descriptions of labour, may be altered by a great many circumstances, independent of taxation; and these operating, perhaps at the same time, with taxation, may appear to counteract or vary those which have been now considered. At one time they may act in conjunction, and increase the effect which appears to flow from taxation; at another, they may act in opposition, and annihilate its action. But whether the one or the other of these be the case, the effects of taxation, taken singly, are such as have been now described. Like a poor soil and an unpropitious climate, taxes add to the toil of the labourer, while at the same time they diminish the produce which his labour acquires for him.

A tax on the sale of goods and property of all descriptions, as the *alcavala* of Spain, falls both on the purchaser and seller. It lessens the division of employment, and, consequently, the quantity and quality of the productions of industry, at the same time that, in putting an impediment in the way of their exchange, it lessens the adaptation to our condition and wants which obtains in their actual distribution. These evils fall equally on the producer and consumer. The producer will not apply himself exclusively to one occupation, unless he procure by the sale of the particular kind of goods he produces, after payment of the tax, as much as he would acquire by applying himself more generally to the production of the various articles he requires. The purchaser, therefore, must indemnify him for a portion of

this tax. But, on the other side, the purchaser is similarly circumstanced, and must require the seller, who is in return the purchaser of the goods he gives in exchange, to bear a part of the tax which he himself has to pay on the sale of his own goods. If any one of the purchasers were required to bear the whole of the tax, he would apply himself to the production of a similar article, in order to escape the payment ; and hence, it must be borne between the two.

Taxes on the sale of property by auction, when the sale by private contract is free, fall usually upon the seller. For the purchaser will not give more for an article at an auction than he can get it equally good by private contract elsewhere ; and the expense of the auction must be borne by the seller.

Again, if a tax be imposed on the transfer of one particular species of property, while other species are free ; as, for example, on land, while the public funds are exempted ; this tax will fall wholly on the owner of the property on which it is imposed. If a man have a given sum which he wishes to invest in some property from which he may procure an annual income, having to pay a duty on the purchase of land, while he may buy into the funds without the payment of any duty at all, he will reckon what the cost of the land will be in price and duty together, and will prefer the funds, unless the seller of the land will abate from his price as much as the duty amounts to ; and this abatement the seller will be compelled to make, or he will never get a purchaser to take the land off his hands ; and the heavier the amount of the duty the less he will get by his bargain.

Stamp duties, and duties on the registration of bonds and contracts for borrowed money, fall altogether upon the borrower, and in fact are always paid by him. Duties of the same kind upon law proceedings fall upon the suitors. They reduce to both the value of the subject in dispute. The more it costs to acquire any property, the less must be its clear value to the party who must pay that cost before he can acquire it.

Taxes on the transference of property from the dead to the living, of necessity, fall on the living, and as well finally

as immediately on the persons to whom the property is transferred.

On whomever the real burthen of taxation ultimately falls, the tax may be paid, like items of private expense, either out of the principal or out of the revenue of the contributor. Taxes laid on the principal are not, from their being thus imposed, the more likely to be paid out of the principal; it must be the amount and not the form of any tax which can occasion it to be so paid. Taxes on income are not always paid out of income. When the amount of taxes to be paid by any person falls considerably short of his income, it is usually paid from it. But if such taxation should at any time increase nearly to the extent of the income itself, it must of necessity be in part paid out of the principal. Prudent men generally contrive to pay their taxes out of their income. Spendthrifts, on the other hand, frequently pay them out of their principal.

There are some taxes, however, which, from their amount, even prudent men cannot defray out of the revenue arising from their property; but which must come out of the principal itself. Of this kind are duties on bequests, and on the succession of property, together with some others. Every instance of a tax paid out of the principal, besides the hardship of its payment to the particular contributor, is attended with the further mischief to the community at large, of lessening the amount of the national capital, and, consequently, of diminishing its future productiveness. The government spends the money in payment of its ordinary expenses, and not reproductively as capital; so that it is quickly dissipated from its state of accumulated capital, and becomes wholly lost. For this reason, taxes on bequests should be either kept within moderate bounds, or an ample time allowed for their payment, so as to afford the opportunity of paying them out of the revenue. It were better annually to demand the full portion of taxes due from a man, and which he will probably pay out of his revenue, through a curtailment of his expenditure, than to wait till his death, and then demand a large sum at once, which the heir will probably pay out of the estate.

Taxes upon law proceedings, and law expenses in general, are



very frequently paid out of the principal. For, as it has been observed, litigation is not proportionate to the income of the suitors, but to accident, to the complexity of family interests, and to the ambiguity and imperfections of the law itself.

In countries like our own, where a heavy public debt exists, taxes which are paid out of the principal, such as duties on the probates of wills, on legacies, and on the sale and transfer of property, ought to be scrupulously applied only in the liquidation of that debt. If the produce of these taxes were expended as it is received, in the buying up of stock, the fundholders, to whom it would be paid in large sums, would not spend it as revenue, but would employ or invest it in some productive way as capital. Applied in this way, such taxes would have no tendency to waste the capital of a country, and their peculiar operation would become harmless.

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### CHAPTER III.

#### ON THE RULE FOR THE APPORTIONMENT OF TAXATION.

ONE of the most important questions which the subject of taxation presents, is the principle or rule that should govern the distribution of its amount amongst the different individuals of the community. Without a knowledge of this rule, and constant reference to it, it is impossible to determine on the propriety or impropriety of any tax or system of taxes. It can never be matter of indifference by what rule taxes are apportioned, or whether that rule be founded in justice or not; seeing the vast extent of the effects to which it leads, in its practical results, and the oppression and injustice which it might work throughout society. It may be truly affirmed, that, in a system of taxation, its suitable apportionment is of the first importance. Taxes must needs press the lightest on the community when they bear equitably upon all. When they bear un-

fairly upon a few individuals, or classes, or branches of industry, they are an indirect as well as a direct encumbrance ; for they prevent such as are thus unfairly burthened from competing on even terms with others. Favour to one, in taxation, is necessarily oppression to the rest. Its partial assessment is no less prejudicial to the public revenue, than unjust to individual interests. Those who are too lightly taxed never call for an increase ; those who are too heavily burthened are seldom regular in their payments, and are often ruined. The public revenue suffers in both ways : in the one instance, from not obtaining where it ought ; in the other, from obtaining where it ought not, and destroying the sources of future revenue. Besides, a partial distribution of taxation soon makes it arrive at its utmost limit ; even though larger contributions are wanted, and might be raised if properly apportioned. Thus, though in such a case the public necessities may require an increase of revenue, yet no more taxes can be laid on, without endangering the ruin of a part of the people, and raising thereby a universal outcry against an excess of taxation ; in which all would join, even though the greater part contributed only a very moderate sum. In this way, taxes become vexatious and destructive to some classes, while others are scarcely touched ; and the burthen becomes galling, not so much on account of its weight, as from its inequitable adjustment.

So simple a proposition as the rule which should govern the distribution of the taxes to different individuals, may seem to require but few observations ; and this, indeed, would be the case, were it not that false positions have been advanced in respect to it, which call for a fuller discussion of the subject than would otherwise have been necessary, in order to show their incorrectness, and to make way for the reception of more accurate conceptions on the subject.

In the ordinary business of life, the circumstance that governs the charge is the quantity of work that is done, or the expense which it has cost. When a gentleman builds a house, the charge which is made upon him is the expense which the builder has been at, with the addition of a profit for himself. No one thinks of disputing the propriety of this mode of making out the

account : the only questions that can be raised are, as to the actual amount of the outlay, and as to the reasonableness of the *per centage* of the profit. But taxation is not thought to be subject to the same rules as the common concerns of life, and it is believed that different principles must regulate its distribution. There is, however, nothing essentially different in taxation, which should exempt it from the universal principles applicable to other cases. There is, indeed, no profit to be charged on the people. But the expenses incurred are for services performed, and are with the same propriety distributed amongst the parties for whom they are performed, according to the work done for each, as in every other joint undertaking.

In the "Wealth of Nations," several maxims are laid down with regard to taxation ; the first of which is as follows. " The subjects of every state ought to contribute towards the support of the government, as nearly as possible, *in proportion to their respective abilities* ; that is, *in proportion to the revenue* which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation, is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interest in the estate. In the observation or neglect of this maxim consists, what is called the equality or inequality of taxation." In another place the author adds, " The evident justice and utility of the foregoing maxims have recommended them more or less to the attention of all nations."

Now to this maxim of Adam Smith, which has also since his time been generally received, several objections may be stated.

In the first place, its several parts are inconsistent with each other. Or, the explanation of the rule is wholly at variance with the rule itself ; for the *ability* and the *revenue* are not equivalent terms. The ability of an individual to contribute towards any adventitious purpose, does not depend on his revenue ; since it must be varied by many circumstances wholly independent of that revenue ; nor can the one be measured by the other.

The abilities of different persons must be varied by the different sources whence their revenues are derived ; as from

labour, for instance, or from property. A man whose only source of revenue is his labour, may be totally unable to increase it, when additional taxes are required of him ; whilst another man of equal revenue, derived from property, has still his labour applicable, in case of necessity, to the production of additional income ; and is therefore better able to bear an increased burthen of taxation. Again, a man whose income is derived from the practice of some art or profession in the acquirement of which money has been expended, is not in such good circumstances as a tradesman of the same income derived from the employment of a capital in business ; because the income of the first must wholly cease with his ability to practise the art or profession ; while the capital of the latter will remain, when his business is given up. The abilities of these two persons, it is plain, are wholly different ; and they must each be much inferior to one possessing the same income wholly derived from property ; because this last, in addition to having his labour always available to the production of income, has no need to provide against sickness and old age, or for the necessities of a family in case of his death. In one case, death ruins the family ; in the other, it enriches it.

Neither are the abilities of different individuals deriving their revenues from property the same, though the revenues be equal in amount ; but must be varied by the different descriptions of property whence they arise, and by the different tenures by which this property is held. Speaking of revenue, with regard to taxation, that sum must be meant which after paying ordinary disbursements remains to the owner of the property. But in computing the abilities of different persons whose revenues are derived from different species of property, that revenue only should be taken which remains after making all those deductions necessary to place them on an equal footing as to *permanence and security*. The *net* revenue, or that disposable sum which, after all deductions, may be applied to the expenditure of the holder, *without incurring a risk of its future diminution*, is the only revenue which can be considered the measure of ability. This *net* disposable revenue, in different descriptions of property, is different from and disproportioned to the gross revenues de-

rived from them. The rent of a piece of land, for instance, has few deductions to be made from it;—there are no repairs or insurance; it is seldom untenanted, and subject to but little loss from the insolvency of tenants. The rent of a house, on the contrary, is subject, not only to the ordinary deductions which arise from repairs, insurance, the want of occupants, and loss from bad tenants; but the property is less permanent; the house must in time become old and of little value, and at last require rebuilding; or the situation in which it stands may become less eligible. Different houses, too, require different degrees of expense in repairs and other outgoings; depending on the stability of their construction, the respectability of their situations, and that of their tenants. The trouble and expense of collecting the rents also vary. Again, the owners of money lent at interest, without security, must be liable occasionally to heavy losses from the failure of the borrowers. This loss extends not only to the interest, but to the principal and interest together. The risk must be greater in some instances than in others, and no criterion can be fixed of the deductions to be made from the revenue on this score in different cases. But this criterion must be fixed before we can determine on the *net* revenue which may be spent by the owner without danger of suffering a future diminution of income; and before we can ascertain his ability in comparison with the owners of other property to contribute to the support of government. Leasehold property, and property held for life, must also require deductions from their revenues, when compared with other property, on account of these limitations to the terms for which they are held.

Hence, the revenue and the ability, so far from being equivalent, are totally different circumstances; one does not express the extent of the other. If this rule, therefore, must be adopted, one of its parts must be taken singly, and the other abandoned.

Let us take the ability. But this rule is indefinite and insufficient in itself. The ability of a person to contribute towards any object, depends, not so much on his revenue or his property, as on the relation of his revenue to his expenditure; the source

from which his revenue is derived, and its permanent continuance ; on his family and connexions ; on his progressive, stationary, or declining circumstances ; his health or sickness ; his habits and manners of life ; and the degree of foresight, prudence, and economy which has habitually governed his conduct.

The spendthrift is less able to pay his taxes than most other persons, though his income may be much greater. The miser, on the other hand, is of all others the best able to pay. Those whose only source of revenue is their labour, are, as was before observed, less able to pay than those who live on their property ; and the pressure of taxation would be very unequal, if made the same to both. Sickness, age, or infirmity, and the circumstance of having families or relatives to provide for, must vary, in a great degree, the abilities of persons whose monied incomes are equal. Again, a person who has always found it necessary to spend the whole of his income in maintaining that station of life in which he has been brought up, would be obliged to make more painful sacrifices when called upon to descend from it to one of inferior grade, through a demand for extraordinary taxes, than a person of the same income, who had risen from an inferior station. These are circumstances of so nice a character, that it would be impossible by any legislative enactments to ascertain their value, and act upon them. Still more important, however, is the indeterminateness of this rule in another point of view.

In revenues of different amounts it must be matter of controversy, whether the ability increase in the same or in a greater proportion with the revenue ; and what relation the one has to the other ; or, perhaps, whether, above a certain amount of income, the whole excess beyond it may not be considered ability. For instance, if a man having an income of a thousand pounds a year were called upon to pay one hundred in taxes, the man who has two thousand (if his ability to pay be considered the rule for charging him) must pay eleven hundred ; thus leaving the same net income to both,—namely, nine hundred ; for nine hundred a year will support one man just as easily as another ; and, therefore, all above it must be accounted ability.

If, in the common transactions of business, the payment for every service which is rendered to a man were to be regulated by his ability to pay for it, what would this be but to strike at the very foundation of the right of property, and to reduce the condition of every rank among mankind to one common level? In such case, the rich would have no superior advantages over the poor; nor the poor be worse off than the rich. Yet there is quite as much reason for making the ability to pay the rule for governing the extent of payment in the common affairs of life, as in taxation; and why shall that which is absurd in common life, be gravely advocated as wise in politics? There is not in the whole circle of sophisms with which political science has been obscured, one false position more completely levelling in its nature than this.

Seeing, then, the indeterminateness of this principle, and the dangerous abuses to which its application might lead, particularly in a country where there is no equilibrium of political power between the rich and the poor, it is impossible to allow that the ability to pay taxes has anything to do with their distribution.

Neither can the revenue, when taken alone, afford a measure for an equal apportionment of taxation. To charge the produce of labour and that of property in the same ratio, must be an unequal mode of distributing the public burthens. The earnings of labour cannot be left out; for some contribution is due from the labourer towards the support of that government under whose protection alone he can follow his occupation unmolested. This rule is unequal as it respects every different source of revenue, every description of property, and different instances of the same kind of property, as was before noticed. For example, money lent on personal security, and money lent on real security; property in houses, and property in land; leasehold property, and freehold property. To tax the revenue derived from these with an equal poundage, would be unfair; because the circumstances of the owners are not proportionate to the gross revenues derived from them. In some cases, the revenue is large, because the risk is great, or the property not durable; but there is no superior advantage on the whole in

possessing these descriptions of property over others which yield a lower rate of return ; for the risk and the want of permanence compensate for the larger revenue produced for a time.

If the welfare of the people be regarded, the system of taxation which a government imposes must be founded in justice, equally with every other measure which it adopts. This is so essential a requisite, that, without it, no system can be really good, whatever apparent expediency or convenience may recommend it. The ground on which a demand of a man's property is made, ought to be entirely free from imputation of unfairness ; the reason which governs its amount ought to be plain, and its equity easily comprehended. But neither ability nor revenue, taken together or separately, as the rule of distribution, is an equitable rule of taxation. The property possessed by individuals does not belong to the state ; for though property can seldom be accumulated to any extent unless through the protection afforded by government, yet it is not created by government ; and when the expense of its protection has always been paid for, the government can have no further claim upon it, but the remaining part must of right belong exclusively to the individual owner. Now, it were an act of injustice to compel a person to pay more than that share of taxes which belongs to him on a partition according to the *expense of the services rendered him*. Neither the *ability* nor the *revenue*, as the rule for this purpose, has any relation to the *expense* of protecting different individuals, and would effect another distribution of the burthen ; in which case, some would be made to pay more, and others would be let off with less, than that share which may with justice be demanded of them.

If government were a charitable institution, and if the ends it has to attain were of a benevolent character, or if the people's property belonged to the government instead of to themselves, their ability to bear taxation might be a suitable criterion by which to apportion it among them. Government, however, has nothing charitable either about its nature, or in the ends of its institution ; for its basis is interest,—not benevolence, and its measures are characterized by force, instead of mercy. The public good is not a sufficient ground for requiring the payment



of a debt incurred in protecting one man, and actually due from him, to be drawn from the pockets of another, without his consent.

Since the ability or the revenue of individuals as the measure for apportioning taxation would either of them effect an unjust apportionment, they must therefore be inexpedient. Justice being that course of action which is most calculated, according to the present constitution of the universe, to avoid evil, and conduce to the general good, nothing, therefore, can be useful but what is just; and "the man who reasons that 'this is just, but that is expedient,' erroneously dares to separate what nature has cemented." The circumstance of this course most conducive to universal happiness being deviated from by the government instead of by individuals, cannot alter the natural tendency of the action itself, or its results, except that the operations of government being on a wider scale, of consequence the mischief must be more extensive, and take a larger range.

The comparison of Adam Smith, before quoted, between the individuals composing a nation and the joint tenants of an estate, does not hold good, unless they all derive their revenues from similar sources. But while some are supported by their industry, and others by their property, the comparison should rather have been made between the individuals of a nation, and the *joint tenants, labourers, and other inhabitants* of a great estate, whose interests in it are not at all expressed by the revenue obtained. If these tenants were *tenants in common*, that is, equally possessed of a proportionate interest in the *whole* estate, and no exclusive interest in any part of it, doubtless the expense of the whole management would be charged to the tenants according to their respective interests. But if an exclusive and complete property were possessed by them in particular parcels of the estate, the expense of management to each would be according to the expense of his particular parcel. Thus, if one person possessed a number of cottages, and another a large farm, the expense of collecting the rents and of managing the letting and repairs of the cottages would be greater than that of the farm, and would be so charged on the owner accordingly. The individuals of a nation are tenants of *particular parcels* of

its property; possessing an exclusive and complete right to them; not tenants of a *proportion of a common right* to the whole property; and the expense of management, therefore, ought to be divided according to the expenses of those parcels respectively.

The revenue of individuals has ever been difficult to ascertain; and hence, governments have been led to the expedient of taxing the *expenditure* of the people, as the nearest criterion which could be obtained by which to measure their revenues; and as being, by indirect means, readily made the subject of taxation. The expenditure is the governing principle in the distribution of the British system of taxation. But whether as a suitable principle itself, or as the means of bringing into action some other principle, is not perhaps easy to determine. The excise, the customs, the assessed taxes, the charge for postage, and most of the stamp duties, are taxes on expenditure. The land tax is the only tax on revenue, and this is of small amount in comparison with the others. The auction duty, the legacy duty, and part of the stamp duties, are taxes on the transfer of property; and there are a few duties on licences, which fall on the profits of particular occupations.

The *expenditure* is not the measure of the ability. It is as distant from it as the *revenue*; and in some cases more so. A taxation of expenditure to a person with a large family, dependent relatives, or who is suffering through sickness, age, or infirmity, or has been accustomed to move in a higher station than that which he is now able to maintain, is, perhaps, of all modes of taxation, to him the most oppressive. It is rather taxing his misfortunes than his ability. And there are many persons in one or other of these circumstances. On the other hand, the miser, and those who are free from such encumbrances, who in general are the best able to pay, escape in great measure from contributing to these taxes. Where savings are made, the nearest criterion by which a man's ability can be ascertained is their amount. But taxes on expenditure, in cases of accumulation, almost entirely fail. In cases where the revenue and the expenditure are equal to each other, to tax the one is plainly the same as to tax the other. But as the revenue can never be a fair criterion for taxation, when it is applied to that drawn from

industry and to that received from property, so neither can the expenditure in such cases. There are some instances, however, in which taxes on expenditure are superior, as regards distribution, to a tax on revenue, when this last is applied with equal pressure to the produce of industry and to that of property. These are, those persons whose only resource is their labour, and who being, consequently, under a greater necessity to accumulate in order to provide against sickness, old age, or a family, are more often found to save than those whose income is derived from property, and who are therefore not under the same necessity; so that the expenditure being less than the revenue, they thereby escape from a part of the taxes which would fall upon them if the revenue were taxed. In such cases, some compensation is made for too high a ratio of taxation on the produce of labour, and its pressure is rendered more equal. The same thing happens with respect to such descriptions of property as yield a large return, but the possession of which is insecure or of short duration; the owners frequently spending but a part of their income, laying by another part to compensate for the want of security or of permanency.

What has been before said has relation chiefly to taxes on general expenditure, and such as are imposed in an equal degree. But such taxes may be levied on superfluities or on necessities, and thus be made to press on different classes of society in different degrees, so as to make the rich pay more than the poor; or the reverse. They cannot, however, make a distinction between the man who earns his living by his labour, and the individual who receives it from property; both these descriptions of persons being found in the opulent as well as in the necessitous classes, and consuming commodities of the same kind. Neither can these taxes make the distinction between such as are able to pay and such as are not; since both ability and the want of it are found in individuals of every class. What is a luxury to one man, is but an article of necessity to another; and what would be extravagance in health, may be indispensable in sickness. These taxes are also avoided or paid merely from personal inclination or disinclination for the article taxed, so that the revenue cannot be fairly taxed in this way. Hence,

taxes on expenditure are in their nature incompetent to effect an equal distribution of public burthens. Their operation on industry, and the restraint they lay on the freedom of the people, from the regulations necessary in collecting them for securing the revenue, are productive of injurious consequences in a variety of ways, which will be noticed heafter.

Expenditure, therefore, cannot be a suitable rule for the apportionment of taxation. It is equally objectionable with ability or revenue, and in many cases much more so. Taken with all the mischiefs which result from it, it is in a high degree unequal, oppressive, and inexpedient.

The expenses of government are incurred chiefly in affording protection to the people ; and if it could be ascertained what is the precise expense incurred in rendering this and other services to different persons, doubtless, this exact sum, whatever it might be, ought to be contributed by each respectively. But the services of government are of a general nature afforded to the whole nation ; they are preventive or counteracting in their effects, and though every one is benefited more or less by them, yet the items of the expense they involve do not enable us to say immediately how much of it, according to this principle, belongs to any particular individual. Hence, though the expense incurred ought to be the invariable rule for the distribution of taxation wherever this expense can be known and applied, yet as this is most commonly unknown, it is necessary, in endeavouring to carry out this principle into practice, to have recourse to some guide in order to ascertain such expense, or to make an estimate of it, or approximation towards it, where it may altogether fail. For the purpose, then, of assisting in the distribution of taxation, the following maxims seem founded in reason and equity :—That taxation might properly be apportioned among the people in proportion to the benefit they derive from government, or the loss they would sustain by its subversion ; or, again, according to the interest they have in its maintenance ; that is, the magnitude of their stake in society. These lead to the same result, and seem but different modes of expressing the same idea. They may, however, assist in pointing out how an equitable distribution of taxation may be effected.

It is affirmed, then, that taxation ought to be apportioned *according to the expense of the services rendered; or, according to the benefit derived from the institution of government.*

It may be premised, that success or failure, either partial or complete, may attend the measures adopted to attain the benefit derivable from government, and after the expenditure which these measures have involved has been made, the benefit may, in some cases, be little or none at all. But this is immaterial in determining the relative contribution of the different persons towards defraying such expenditure. The organization of social life consists of a combination of the individuals in a state, whose separate forces are united for the attainment of a common object, in which all are interested, though in different degrees. It is not, then, the fact of actual advantage having accrued from the services of government that must regulate the contribution of individuals, but the benefit contemplated by them. One man may be robbed or defrauded, through the inefficiency of the laws or the negligence of the police, while another may sustain no such losses. But if the laws afford the same remedy to both, and if the vigilance of the civil force be equally directed towards them, there can be no reason why they should not each contribute proportionately, not to the actual exemption from injury, but to that which was aimed at by the measures which involved the expenditure. In fact, the contribution ought to be made before the measures are carried into effect, and of course before their failure or success can be known.

These principles for the apportionment of taxation are free from all the objections which have been before urged against other rules for the like purpose. They are plain in themselves, arising out of the nature of things and the principles of justice. The reasons on which they are founded must be apparent, and cannot need to be supported by argument, except to make way for their reception by removing erroneous impressions before imbibed. They must be expedient, because they are founded on a principle of perfect equality, which it is the interest of all to support, since it cannot be changed but to the injury of some one or other.

It may not be useless to notice in this place a prevalent

opinion, that taxation should bear more heavily on revenue which is expended on luxuries, than on that which is spent on objects of necessity. M. Say asserts, that taxation merely proportionate to individual income would be far from equitable, and that it cannot be equitable unless its ratio is progressive. In another place he says, "taxation is a sacrifice to the preservation of social organization, which ought not to be purchased by the destruction of individuals. Yet the privation of absolute necessities implies the extinction of existence. It would be somewhat bold to maintain, that a parent is bound in justice to stint the food or clothing of his child, to furnish his contingent to the ostentatious splendour of a court, or the needless magnificence of public edifices. Where is the benefit of social institutions to a man whom they rob of an object of positive enjoyment or necessity in actual possession, while they offer nothing in return, but the participation in a remote and contingent good, which any man in his senses would reject with disdain?"\* Doubtless, as far as the necessities of existence go, revenue ought not to be taxed. The immediate preservation of life is the first demand of nature, and the more remote and contingent good arising from the preservation of social organization can only claim attention when the necessities of existence are supplied. But this admission goes no further than necessities, and some further argument must be adduced to show that, beyond this, a progressively increasing ratio of taxes should be imposed on incomes as they increase in amount. I shall say nothing of that part of the public charges which is incurred in maintaining "the ostentatious splendour of a court, or the needless magnificence of public edifices." Needless or extravagant expenses may be difficult to apportion with justice; but the necessary and suitable expenses of the state are free from all such difficulty.

The protection of a thousand acres of land may easily be conceived to cost ten times the trouble and expense which the protection of a hundred acres requires. But I know not that it would cost any greater sum if one person owned the whole thousand, than if they belonged to ten, or more, different persons,

\* Book III. ch. 8. sect. 1.

If the owners lived on the land, and assisted in its protection, no doubt the aid of ten persons would be more serviceable than that of one ; but if they all lived at a distance, I cannot conceive what difference could be made by its belonging to one person only, rather than to ten. To a very great proprietor, the tax on all his property, assessed according to a progressively increasing scale, might amount to so large a sum that his property would be protected for less by his throwing off his allegiance to the state, declaring himself independent, and hiring soldiers to defend his property. That could never be a just system of taxation which should apportion it so as to be injurious to individuals, and render the protection of their property more expensive when undertaken by the state, than when managed by themselves.

But if taxes in a progressively increasing ratio ought to be imposed on large incomes, a difficulty meets us in fixing the scale of progression. Immediately after leaving the solid ground of principle, we are at sea without a compass or rudder to guide our course ; and in a matter where, perhaps, more than in any other, we need plain and unanswerable reasons. How can it be expected that a man should yield up a portion of his property to anything short of force, when it is impossible to explain the reason or justness of the demand we make ? If luxuries are to be more highly taxed, how are we to draw the line between luxuries and necessities, and say, that this, on one side, is an article of luxury, and that, on the other, of necessity, where nature has drawn no such line ; where nothing can be more indeterminate than the question at issue, about which no two persons would agree ? And how, again, are we to say how much one article constitutes a luxury more than another ? Since, as before noticed, that which is a luxury to one man, may be only an article of necessity to another ; and that which may be an indulgence at one time, may be indispensable at another ; for in sickness, or old age, we require indulgences which we should not think of when in the enjoyment of youth and health.

From the rule that taxation should be apportioned according to the services rendered, or the benefit derived, some inferences or corollaries naturally follow. These are,—That the expense of

the protection of *property* must be borne by property ; and that the expense of the protection of *persons* must be borne by persons. That various descriptions of property, and various descriptions of persons, must severally bear the expenses of their own protection. That services which are local must be borne by local funds ; and services which affect particular classes be remunerated by those classes.

This rule and its corollaries appear so suitable for the purpose, that it can scarcely be necessary to say anything in their support ; and it remains that we apply them to the several branches of expense which the services of government occasion, in order that it may be perceived how an equitable distribution of the public burthens may be effected, and what imposts are calculated to produce such a distribution.

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## CHAPTER IV.

### ON THE APPLICATION OF THE RULE OF APPORTIONMENT, AS REGARDS THE EXPENSE OF PROTECTION.

THE chief duties which devolve on government, as has been already remarked, are to afford protection to our persons and property ; to secure the public tranquillity from foreign or domestic aggression, and preserve inviolate the rights of individuals and of the community at large. The performance of these duties involves an expense. At first sight it may not be evident that the protection of the person and property of any particular individual is the occasion of expense to the state ; but when we consider that the protection of all the individuals comprised in a state, and of the whole property of a community, does involve an expense, and that the whole must be made up of its parts, we cannot doubt that the protection of any single individual or his property is the source of an expense to the public.

The frequency and vigour of the efforts to subvert a govern-



ment, to resist its power, or elude its vigilance, must be proportionate to the magnitude of the objects which excite these efforts. These objects are the property and the individuals of the community. Their magnitude may be measured by the sum of all the property and all the individuals in the community, each one swelling the amount ; it is increased with their increase, and lessened with their decrease. The circumstance, therefore, which occasions the expense of the protection of persons and property is, that they offer excitements to the evil passions of human nature which prompt men to acts of violence or fraud ; or present subjects on which these passions may be exerted. And the circumstance which must vary the expense of the protection of different individuals, and different parcels of property, is, that they offer these excitements, or are exposed, in different degrees. Now the force necessary to counteract these efforts of violence or fraud must be proportionate to the force of the motives which call them into action ; and the expense must, in general, be supposed to follow the same proportion.

The services rendered by government in affording us protection, which involve an expense to be defrayed by contributions from the people, may, with regard to these contributions, be divided into two classes, which being of a different nature, and the one class affecting individuals in degrees different from the other, it is proper to consider distinctly. These are,

First,—Those services which provide for the public defence, both against foreign enemies and insurrections at home ; by supporting the sovereign and his ministers, and whatever else may be requisite to preserve the frame-work, or fabric, of society efficient and entire, and by which the other class of services becomes attainable ; which consists,

Secondly,—Of those services which appertain to the internal or local administration and police ;—the distribution of justice ; the prevention of crime ; the detection, apprehension, conviction, and punishment of individual offenders.

The characteristic of the first of these classes of services is, that it is opposed to *open warfare*, to combined violence, and to whatever would effect the overthrow of government. The characteristic of the second class is, that it is opposed to *secret*

acts of fraud or violence on the part of single offenders, or small combinations among them. The first is war with the community ; the second is war with individuals.

In each of these classes, the inquiry divides itself again into two parts ;—first, the expense of the services as they relate to the protection of property ; and, secondly, as they relate to the protection of the person.

With regard to the protection of property, the desire for it, or the sacrifice which will be made by peaceable means to acquire it, is measured by its *marketable value* ; and the excitement which it offers to its acquisition through acts of fraud or violence is measured *directly* by this value, and *inversely* by the difficulty, the danger, or the hazard, which must be run to possess it : its value to the offender is therefore diminished at the rate of the risk which its acquisition involves.

Now with regard to the expense incurred for the protection of property, to the department of government whose duty is to render the first of the classes of services before alluded to, and which might be called the *general administration*, we may say, that this expense, in different parcels of property, is proportionate to the *direct* ratio only of its value ; leaving out of question the *inverse* ratio of the difficulty or danger of acquisition ; because this last is equal in all. The measures of this department having for their object protection from foreign enemies ; from insurrections or the breaking up of society at home ; in a word, from open and combined violence ; there is no greater difficulty or danger of acquiring, in this way, one kind of property than another. Modern European warfare is not carried on in the way of plundering incursions ; and rebellious insurrections at home for the sake of plunder can only escape punishment by the total subversion of government, the usurpation of its power, or the introduction and continuance of anarchy. Under a usurped power, or in a state of anarchy, every description of property could be equally well seized upon, and held by violence in despite of the undisputed right of its proper owner. One description of property does not offer any greater inducement than another, (leaving the difference of value out of the question,) to bring about such a state of things. The sacrifice or hazard to

be run to possess different descriptions of property in this way is equal, and therefore may be left out of the question ; and the expense incurred by this department in the protection of different parcels of property, of whatever description they be, may be affirmed to follow the same ratio one with another, namely, that of its market value.

But with regard to the second of these two departments, or the internal administration and police, there is a great difference in the expense incurred for the protection of different kinds of property ; and we must take into account, not only the *direct* ratio of its value, but the *inverse* ratio of the difficulty and danger of unlawful acquisition.

Movable property, in addition to the excitement to attack, that is, to open warfare, which it offers, in common with real property, to repel which forms the province of the general administration, holds out likewise an inducement to attack it to single offenders, or small combinations of them, by *secret acts* of fraud or violence, to punish or guard against which forms the province of the internal administration and police. It is because the crimes, which it is the province of the internal administration to regard, are chiefly those which are induced by the hope of impunity from want of detection, that the distribution of the expense of its support will not follow in amounts proportioned to those for the support of the general administration, though the same rule of apportionment direct them both. If there were no movable property, there would be no thieves. The owners of this property are, if one may so speak, the cause of theft : it is they who derive all the benefit of the measures adapted to prevent and punish theft ; and, when every shoulder is to bear its own burthen, the expense of looking after thieves, of apprehending, trying, and punishing them, whatever it may be, must be borne by these owners of movable property ; as well as the expense incurred in watching over this property in order to prevent theft.

The inducement to the violation of property operating, as was before stated, in the direct ratio of its value, and the inverse ratio of the difficulty or danger attending it, the expense of the protection of property of different kinds must be increased as

the chance of impunity or the exposure, is greater, and the sacrifice or hazard to be run is, consequently, less. If, therefore, a tax be assessed on the *value* of property, the poundage on that value must be greater as the exposure and chance of impunity are greater, and less as this chance is reduced.

But a more palpable and less abstract notion of the difference of the cost in protecting different kinds of property may be gained, from a comparison of the number and expense of the prosecutions instituted for the violation of property of different kinds. Thus, by dividing property of different descriptions into classes, as, for instance, household furniture and other property in dwelling-houses into one class, and farming stock and other property exposed in the fields or outhouses into another, it would be seen what is the relative expense to the civil power for the protection of these classes, and the whole value of each being known, it would be seen how much *per cent.* must be laid on each class to cover the expense of its protection; leaving the division amongst the different parcels which make up its whole class to proceed on the principle that the difficulty, danger, and probability of detection is the same in the different parcels of the same class, and that where these are alike, the inducement to thieving operates with a force *directly* as the *value* of the article liable to be stolen.

In the same way, that is, from the smaller number of prosecutions, it may be proved that the expense of the civil power for the protection of real and fixed property is small; and that this property must, consequently, bear but a small portion of the burthen of the support of that power. There are some parts of real and fixed property which are liable to be stolen; as fences, the lead on houses, and such things; and, therefore, this property must contribute somewhat to the expense of the police; but the value of the parts liable to be stolen is small in proportion to the whole value of the property, so that if this whole value be assessed, the poundage must be proportionately low. Title deeds and writings are likewise liable to be fraudulently withheld from their owners, or to be forged, so as to call for the interference of the civil magistrate. In other respects, the protection of this property can give but little trouble to the civil

power, since little inducement is offered for its violation, from the almost certain detection and punishment which must follow.

In taxing property, because its protection is an expense to the state, this tax must extend to every kind of property; whether it be what is termed productive, or unproductive: thus, household furniture and stock of every description, although affording nothing in the shape of revenue, is equally chargeable as land or other things yielding a rent. The tax is the necessary condition of its protection; and the reason which imposes it on one kind of property, extends with equal force to the other; for both are equally protected.

We have thus stated all that it seems necessary to advance relative to the distribution of the expense of the protection of *property* to the two departments of government before alluded to; supposing that the separate expense of each of these two departments is known; and supposing, likewise, that it is known what is the particular expense incurred by them in the protection of the whole mass of *property* of the community. These expenses are, however, by each of them, incurred in the protection of *property* and *persons* conjointly, and it does not yet appear how much is for the protection of *property*, and how much for that of *persons*; or what is the relation between the two. But of this, more will be said hereafter. We proceed to the distribution of the expense of the protection of the person.

That *individuals* should contribute to the public expenses, as well as *property*, might be proved, if necessary, both from the benefits they enjoy through the freedom and security which government procures them, and because the attainment of these benefits involves an expense to the state. If it were not for the protection thus afforded, our liberty and lives would be no longer safe, and they might be made subservient to the purposes of avarice, ambition, and other evil passions. What the depth of degradation would be to which society would retrograde, and the tyranny and misery to which we should be exposed without the fostering protection of government, may be conceived from regarding the state in which mankind have been found in those ages and countries in which no regular governments existed, or no governments of sufficient strength or virtue to secure the

rights of the subject. Or, looking nearer to our own times and country, we may perceive, in some degree, the benefits of freedom, from viewing the state of that unfortunate race in our colonies, to which the protection of the civil power has till lately been denied. That our superiority of condition is to be attributed to the civil liberty which the government secures, cannot be doubted.

With regard to the expense incurred by the *general administration* of government in the protection of *individuals*; this expense must be considered to be occasioned in the same manner as in the case of property, from their offering excitements to the evil passions of our nature, which prompt men to acts of violence and injustice; and the difference in the expense of protecting different individuals, must depend on the degree in which they offer this excitement. The desire to deprive a person of his freedom, and acquire possession of his labour, from avaricious motives, must be in proportion to the advantage to be gained thereby; that is, in proportion to the *value* of his labour, or the sum he can earn above the expense of his maintenance. The same may be observed respecting the desire of power. Knowledge is a source of power and of wealth. To be sovereign of an intelligent, ingenious, and highly cultivated people, must be more desirable than of a people less refined; and the degree of its desirableness must follow that in which these qualities exist. The intelligence and capacity of a people are to be judged of by their results; and these may be measured and compared, as rendering services conducive to enjoyment, or as producing things of value. A man who is incapable of earning more than sufficient to sustain animal life, would offer no temptation to avarice; since no profit could accrue from his labour; unless it were desired to employ him in an undertaking in which his life would be endangered. But with regard to ambition, he might still present an excitement; because his liberty and life might subserve its ends. The desire to gratify the other evil passions of our nature, as revenge, hatred, envy, and wanton outrage and cruelty, as inducing invasion or rebellion, which it is the province of the general administration to repel, must be provoked chiefly by the measures of govern-

ment, and not of individuals. These passions, on the part of combinations of rebellious subjects, are not felt so much to the disadvantage of the lowest classes of society, as to that of the better classes; and the more as the latter ascend higher, and may be thought to be connected with, countenancing, or participating in, the acts of government. The purposes to be accomplished by rebellion would be, the degradation and deprivation of wealth and power among these classes. It is the rank or circumstances of the people, therefore, whether arising from property, or from large income accruing from industry, that particularly brings individuals within the sphere of these revengeful and envious feelings, and forms the scale by which their force may be supposed to be increased or diminished. So far as the possession of property may be supposed to operate, the expense of counteracting them is to be borne by the tax on property. Here, we refer only to the produce of industry. Many persons, however, do not receive any specific return for service, or perform service at all; but when from their education and talents they may be capable of earning more than sufficient for their subsistence, they ought to be accounted as offering the same excitement as though they obtained the wages which, on an average, those classes obtain, whose services they are capable of performing. Thus, the strength of the inducement to invasion or rebellion which individuals present, independently of their property, may be considered to be proportioned to the earnings they obtain, or might obtain, beyond the necessary expense of their subsistence. And a tax on these earnings, or means of earning, would be proportioned to the expense incurred by the *general administration* of government in the preservation of personal freedom.

We have before noticed, that the expense to the general administration for the protection of property must depend on its *value*; whilst the expense incurred by the protection of individuals depends on their *earnings*. In order to ascertain the relation between the expense of the protection of property and that of individuals; or how nearly an impost assessed on the *value* of property is equivalent to one assessed on the *earnings* of individuals; we may, for the moment, consider individuals as

property, and compute their value ; so that having ascertained the value of all the individuals, and adding the sum to the value of all the property, it may be seen how much poundage must be imposed on that value to defray the expense of the general administration ; or, which comes to the same thing, how much *per cent.* must be imposed on the capital *value* of property, and how much *per cent.* on the *earnings* of individuals, so as to be equivalent to an equal *per centage* on the capital value of each.

That individuals, with regard to taxation, may be viewed in the light of property, will appear reasonable from considering them in another point of view ; namely, because the superiority in the remuneration which some classes obtain for their services over others, is in consequence of the increased skill and ability, which probably a more expensive education has afforded them. Capital is thus invested in the improvement of their physical or mental powers ; and a return must be made from this capital, equal to that from the like capital embarked in business, together with as much more as would, if laid by every year, equal, at the average termination of the life or ability of the individuals, the amount originally expended in education. For if less were returned, capital would be no longer invested in this way, but would flow into more advantageous channels. The amount of this capital, whether it has been usefully expended or wasted, can only be ascertained from the return it yields ; or from the earnings which are thereby procured beyond those which would otherwise be gained.

Now the earnings of individuals must be considered in the light of a terminable annuity ; while the produce of most kinds of property is a perpetual annuity. Accordingly, the value of individuals is to be computed from the average excess of the earnings they obtain above the cost of their maintenance, and the number of years they will probably be enabled to continue their labour. An estimated value of an individual being thus obtained, he may be considered as offering an equal incentive to the subversion of government, and the violation of his personal freedom, as the same amount of property ; and the expense to the general administration for the preservation of his freedom, may be reckoned as equal to such property. But a



tax on earnings seems more reasonable than to compute the value of an individual, and to tax that value. If the pressure of the tax be made the same in both cases, the one would be equivalent to the other; the value being computed only to ascertain the relation between the two. For which purpose, or, to perceive how much tax assessed on earnings would be equivalent to a given sum assessed on value, let us suppose the expense of maintaining an individual to be thirty pounds a year. Then, this sum deducted from his annual earnings will leave the annual profit which would be derived from acquiring the command over his labour. If we suppose the average term of the ability to labour to be twenty years, his value at the commencement must be accounted equal to a capital which would yield an income of this net sum, and which capital will be worn out in twenty years. Suppose such a capital to yield 8 per cent.; then is every £8 of annual earnings above £30 liable to the same weight of tax as £100 property. Or, if property be charged one-half *per cent.* on its value, earnings above £30 must be charged  $6\frac{1}{4}$  per cent.; and more or less in this proportion one to the other, as the tax may be increased or diminished. At this rate, an individual earning £130 a year by his industry, must pay an annual tax of £6 5s.; or the same sum as would be paid by a property of £1250 value. The data on which this computation proceeds are far from truth; they are adopted merely for the purpose of illustration, not of definite conclusion.

With regard to persons in trade, whose income is derived from the employment of capital, this capital should be taxed wherever found, whether in their own hands or in the hands of their customers. If these customers should thus become taxed for more property than belongs to them, there is nothing unreasonable in this; since its safe custody while in their hands is an implied condition of its being placed there. This safe custody equally extends to paying the government the expense of its protection, as to housing it from the weather, preserving it from fire, or from other accidents. The expense of the protection of the capital of traders being thus defrayed, it remains to consider the earnings they gain as managers of capital. In this respect, it is immaterial whether the capital they employ be their own, or

borrowed in part, or wholly, of other persons. If the capital be borrowed, the trader will perhaps pay five per cent. interest for it, while his gross profits may amount to ten per cent.; and after deducting this interest from his gross profits, the remainder is the reward of his industry and the risk he incurs. The profits on borrowed capital are the same as on capital which belongs to the person who employs it. The reward which appertains to management and risk, therefore, though not equally apparent, must be the same in both cases; and what is received more by the owner of capital who employs it himself is the return of that capital. In computing, then, the earnings of persons employing capital, as this capital is taxed wherever found, five per cent. on its amount should be deducted from the profits, as the value of its interest, in order to leave the net earnings attributable solely to the *industry* of the employer; to be charged on him, in the same way as the earnings of other kinds of industry.

A question may be raised, whether debts should be charged with a tax? To this it may be answered, that private debts should not be charged; but that public debts should. A bond, a bill, or other obligation to pay money, carries no real value in itself, further than as the evidence of a transfer of some of the property of the person who has to pay, to the person who holds the bond; without at all increasing or lessening the amount of property between the two. If a man have land worth £1000, which he has mortgaged for £500, we cannot charge £1000 on the land, and £500 on the mortgage also. It is sufficient to charge £1000 on the land, which is the whole value of the property divided between the parties; the land being really worth only £500 clear to the owner. He should then have the power of deducting the tax on £500 from the interest on the mortgage. On the same principle, money lent on personal security cannot be charged, for it must be already assessed in the shape of property existing some where or other. If a wholesale dealer borrow £1000 to assist in carrying on his business, this £1000 is charged with tax, either in the shape of stock in his warehouse, or in the shops of his retail customers who are in his debt, and whose stocks are greater than they would be if they had not procured goods on credit. Perhaps it will be said, that these shop-

keepers have no very large stocks on hand, proportionate to the debts they owe ; but, if they have not, they have debts due to them from their customers, and these customers have property in their possession to a greater amount than really belongs to them, after payment of their debts. The debts, therefore, being already charged in the shape of property, in the possession of some one, who is not the real owner of the whole, in consequence of having debts to pay out of it, and who is, therefore, rated for more property than is really his ; these debts, I say, cannot be assessed in the shape of debts ; for this would be charging them twice over. Though, however, debts ought not to be charged ; yet persons having interest to pay on them, ought to be allowed to deduct the tax from the interest. But this is not essential ; because in the contract between the borrower and lender, the circumstance of the tax being to be deducted or not, would regulate the terms of the contract for interest, and be compensated for by them.

The same reasoning applies to a public debt, though there is a difference in appearance. When an estate is taxed at its full value, notwithstanding the existence of a mortgage upon it, the owner of the estate who pays the whole tax, is entitled to call on the mortgagee to bear a portion ; since the mortgagee is really in part owner of the estate. A public debt is a mortgage on the property and industry of a country, and the people ought likewise to be entitled to deduct a part of the taxes they pay from the interest of this mortgage, in the same manner as it would be deducted in the case of money lent on the mortgage of a private estate. The difference is as regards the *assessment* of the tax. The deduction from the interest should be the same in both cases, though the persons who make it should be different. In a private estate, the owner being rated at its full value, without regard to any mortgage that may be on it, deducts himself a portion of the tax from the interest of the mortgage. In a public debt, it would be inconvenient for the people (who are the parties on whom the mortgage is made) to deduct the fundholder's tax from the amount of the taxes they pay ; and, therefore, instead of the people being charged the whole expenses of government, and allowed to deduct a portion of their taxes

from the sums they contribute towards the interest of the debt, they are charged somewhat less, and not allowed to deduct anything; the public creditor paying the tax directly to the state, instead of indirectly through the hands of the people.

To the general administration of government devolves the protection of navigation. Upon the principle that every one should bear the expense of which he is the occasion to the public, particular classes must bear the expense of the services rendered them respectively. Accordingly, commercial men must bear the expense of the services rendered in particular to them; and their customers must bear the expense of procuring them their supply of foreign productions. "The protection of trade in general, from pirates and freebooters, is said to have given rise to the first institution of the duties of customs;" and there cannot be a more equal or suitable mode of providing for the expense of the navy, and the support of consuls in foreign parts, as far as their duties extend to protect commerce, than by the imposition of custom-duties. But these duties ought not to exceed the expense of protecting navigation and foreign commerce; for if they be higher, the natural prices of things will be altered, and people will be debarred the advantage they would otherwise possess, of supplying themselves at the cheapest market. Neither ought they to be lower; for in that case, foreign commodities will be sold in the market for less than their actual cost, and people will use foreign goods because they are sold cheap, when home goods, though sold at a higher price, really cost less. Duties of customs ought, in all cases, to be either on the value of the goods, or on the quantity regulated in amount with reference to the value; because the advantage gained by the protection is the diminution of risk, and this diminution is proportioned to the value. They ought to be the same on all sorts of commodities transported; for all are equally protected, and there is no greater expense in protecting one sort than another. A vessel carrying bullion is not more liable to capture than another vessel carrying a cargo which will sell for an equal quantity of bullion to that carried by the first. There is the same reason, likewise, for imposing duties

on goods exported as on those imported, namely, that they are both equally protected. The maxims of the "commercial system," doubtless are opposed to laying duties on goods exported. It is not the place here to show the fallacy of those maxims; it is sufficient to disallow them. But though the duties should be the same on all the different sorts of commodities transported to or from the same place or country, they yet ought to be different on the commodities transported to or from countries at different distances, or where the expense of safe-conduct is greater or less. Thus the East Indian trade ought to be charged with a higher duty than that to the West Indies; because the expense of protecting the former must be greater than the protection of the latter. The duties on the trade to France and Holland ought to be much less than either, since the expense of protecting them must be very small. Whence an argument arises against the reduction of the duties on East and West Indian sugars to a perfect equality with each other, for there ought to exist that difference between them which the greater expense of protecting the East Indian trade requires. "If it was thought reasonable to lay a general tax upon trade, in order to defray the expense of protecting trade in general, it should seem equally reasonable to lay a particular tax upon a particular branch of trade, in order to defray the extraordinary expense of protecting that branch."

The rule, that the duties on export and import should be on all merchandise alike, derived from, or exported to, the same country, is however liable to the same exception or qualification as that which may be made with regard to the tonnage duty on commodities of small value passing along a canal; which will be noticed hereafter. There are some commodities of small value in which a trade could not be carried on if subject to a duty; which nevertheless, if duty-free, would yield a profit; and as the export or import of a particular commodity is not, strictly speaking, (unless under convoy,) a source of expense to government, though the export or import of commodities in general certainly is, and as the expense to government would not be lessened by preventing or lessening a trade in particular com-

modities, these, therefore, may, in some instances, be excepted from the general rule, and subjected to lesser duties, or perhaps exempted altogether.

Seeing that every different branch of trade must bear its own expense, the charges of maintaining forts and settlements for trade in countries inhabited by barbarous nations, must be borne by the trade to those places. These duties should be raised in the countries where the forts or settlements are established; and should be laid on the import and export of commodities. The advantage derived from these forts or settlements, as far as regards the merchants, is in proportion to the profit gained by the trade; and, as far as regards the people, in proportion to the supply of articles which they could not, perhaps, get elsewhere, or could not get so cheaply. This advantage is not always in proportion to the value; because bulky articles of small value will yield a higher profit than others of greater value which are of smaller weight and bulk; and the profit will be more in proportion to the tonnage of the vessel, though not exactly so. But if the duty be on the value both of the export and import of goods, it would in many cases compensate for the greater profit on goods of small value imported by the smaller profit on goods of greater value exported, and would be sufficiently near to answer its purpose.

The expense of consuls in foreign countries is a part of the expense of protecting the trade to those countries; and should be borne by the trade to those countries respectively. The duties imposed on foreign commodities for the protection of trade, and on home commodities exported, are paid by the merchant, and by him recovered in the advanced price at which he sells them, so that the duties ultimately fall on the consumers of these commodities, and in proportion as they consume them. The principle of apportionment is here carried into effect, with the utmost exactness, and no hardship or oppression exists anywhere. Neither is there any variation occasioned from the natural course of things by the imposition of these duties, so as to induce persons to purchase some articles in preference to others on account of their low price, when in reality the whole expense of their supply was more; because paying the expense

of safe-conduct is a necessary condition of their supply, and forms a part of the original cost as much as the insurance or the expense of conveyance itself. Indeed, the natural course of things would be varied were these duties not imposed.

We proceed to consider the expense occasioned to the internal administration and police in the protection of the lives and liberties of individuals.

The freedom of individuals can scarcely be in danger while the general administration of government is maintained effective; because its violation could hardly then escape detection and punishment. Whatever expense the preservation of that freedom may occasion, must be occasioned to the general administration. The police or the law can have but little to do to maintain personal freedom; to these departments, therefore, there must in this case be but a trifling expense.

The whole expense of the internal administration in the protection of persons and property conjointly being known, the expense occasioned to it by the protection of the whole mass of property, and the whole number of individuals, may be estimated with sufficient accuracy by a comparison of the number of offences committed against property, with the number committed against the person; or, more nearly, by the relation of the whole expense which the punishment of the offenders against property occasions, to the whole expense of the punishment of the offenders against the person. In France, the proportion of the crimes against property to those against the person, on an average of six years ending 1818, was as  $3\frac{6}{7}$  to 1. In England, in the year 1825, 14,437 persons were charged with crimes; of which number 12,530, or  $\frac{86}{100}$ , were for theft. During seven years, ending at the same period, the numbers were as follows; 211 murder, 50 arson, 241 forgery, 43,000 theft and other offences against property: what was the relative expense of the prosecution and punishment of these, does not appear. Precautionary measures to prevent crime must, for the most part, be placed to the account of property; because there are no measures taken to prevent injury to the person from revengeful and malicious passions. These are, indeed, sometimes so impetuous as to brave the certainty of punishment; but the criminal is in

general able to pay the expense of which he may be the occasion.

The expense to the internal administration in protecting the whole number of persons being thus ascertained, it remains to inquire into the distribution of this expense amongst the different individuals. Acts of violence to the person are perpetrated from motives of envy, hatred, revenge, lust, and wanton cruelty. The force of the excitement to the perpetration of these acts of violence must be varied by the personal and mental qualities of the individuals against whom they are directed, and by the provocations they may offer. But these qualities and circumstances can only be measured by their results. They may be considered equal in all. Wealth, or elevated station, may excite these passions in a stronger degree than poverty or humble life. But in proportion to the wealth of an individual, are the number of points increased in which his property may be injured; and hence, the liability of a wealthy man to personal outrages is, perhaps, not greater than that of other persons. Indeed, murders and assaults are as much committed against persons in the lower classes as against those in the higher; and we may conclude that the expense to the civil power in protecting different individuals from personal outrages is the same in all. The rich, however, pay more than the poor towards the punishment of these malicious passions, in consequence of their property being charged with the expense of the punishment of such offenders as vent their malice by injuring property. A tax for the protection of the person, to be suitable, should be a tax on the person, the payment of which should cease on the cessation of the service rendered, either by the death or absence of the party. A poll-tax, therefore, of equal or nearly equal amount on every individual, might be a suitable provision for the expense to the civil power in the protection of the person.

With regard to the administration of justice in civil matters, in which the object is the adjustment of disputed rights; compelling the payment of debts, and the fulfilment of contracts or obligations; obtaining redress for injuries sustained, or determining the amount of compensation due; in these, and such-like matters, the administration of justice ought to be no



burthen on the public funds. These are services which are called for and rendered in a direct manner by government to private individuals, and the expenses of which are ascertainable. The application of the principle of apportionment is here complete and evident; and, according to this principle, such services must be paid for by the parties for whom they are performed. However, the party losing the cause, should not only be compelled to do that justice, and make that recompence, to the injured party, which he had previously refused, but to pay also the costs which such refusal had rendered necessary to be incurred. Where no refusal had been made, the parties interested should mutually bear the expense. But justice, it is said, should be administered gratis. If it be administered gratis, all men must contribute towards it, and that in equal proportions, whether they give little or much trouble to the judges and officers of court. But some men give a great deal more trouble than others; and such ought to pay according to the trouble they give. Is the litigious and unjust man, who is for ever harassing his neighbours with frivolous and vexatious suits, or compelling them to resort to law for redress of the wrongs he commits against them, and who thus enhances to the public the expense of the administration of justice; is such a one to pay no more than the honest and inoffensive man who has, perhaps, never been to law in his life? Nothing could be more unfair. In civil matters, courts of justice cannot be better supported than by fees of court, proportioned in every case to the value of the time and trouble required of the judges and officers of court. The expense of justice is often defrayed by stamp duties on the paper or parchment used in the proceedings. But it would give less trouble and be more convenient to the suitors if this expense were defrayed by fees only without stamps.

In criminal prosecutions, where no particular compensation is gained by the prosecutor for the injury sustained, proceedings are carried on only for the sake of example, as a warning to the criminal and to others. In this example, the public are equally interested with the prosecutor, and the expense ought to be defrayed from the public purse.

The services of a local administration extend only to the in-

habitants of the district over which it presides. In apportioning the expense of government according to the expense of the services rendered, while individuals pay precisely the expense of the services rendered them, collections of individuals must also pay the collected sum of the portions of each member of the collection. Hence the expenses of a local government can only be properly defrayed by the inhabitants over whom it presides. But if the objects of the local government partake in any measure of those which belong to the general administration; such as military defence, for instance; the rule must be qualified, which can only extend to internal affairs, and protection from individual aggression, or small combinations of offenders. The duties of local governments in frontier or isolated provinces, or colonies, may extend in part to the military as well as civil defence; but the expenses of these ought to be charged on different funds. The military defence appertains to the empire generally; and must be borne equally by the inhabitants of every part of it; for all are equally interested in this defence. A colony, or frontier, or isolated province, may cost more for its military defence than any other similar portion of the empire; because it is subject to attack, not only from the excitements possessed by itself, but as the point at which a blow may be aimed at the empire to which it belongs. The European colonies in the West Indies would have been less frequently attacked than they have been, had they formed an independent nation amongst themselves. But, belonging to one or other of the European nations, in every war in which the mother country was engaged, they became the vulnerable points through which the parent state was sought to be brought to submission. Now, for the greater expense which the protection of these colonies requires, on account of such connexion, it were unreasonable to burthen their inhabitants; since the excitement to attack is presented by the empire generally, and not by these parts in particular. Were it not for the existence of these distant points of attack, the blow would be aimed at the heart of the empire itself; whose inhabitants are better off, supposing they contribute no more than those of the distant parts, inasmuch as the seat of war is thereby removed from themselves.

In many of the European colonies, and in some of the states of North America, slavery is tolerated; while in other colonies and states it is not. A state of slavery being an unnatural, unhealthy, and feverish state of society, must increase the danger and expense of the maintenance of government in those places where it is tolerated; inasmuch as the basis of government there is not the interest of *all* its subjects, but of *a part only*; and is upheld by one part to the prejudice of another part. The increased expense which a state of slavery occasions, though it be in the military force, should be borne by those places only where it exists, and should be raised by a tax on slaves according to their number. The possession of colonies or provinces where slavery is tolerated brings no accession of national strength; but only weakness and danger.

Taxes on bequests and on the descent of property are fair, as long as they are kept within moderate bounds; because by the institution of government a person is secured in the peaceful and quiet possession of property to which he in this way succeeds; when, without such institution, obstructions might be raised against his succession. It is reasonable that he pay for the benefit he thus derives. In particular, these taxes are proper where there is a public debt; because the debt was occasioned through not raising as much taxes at the time as the expenses of the state required, and is due from those persons who did not thus pay so much as they ought to have paid when the debt was created or increased. To levy the tax, therefore, at the death of a person, when he failed to pay as much as he ought to have done during his life, is placing the burthen in the right quarter. I pretend not to determine the proportion of the taxes which should be laid on the property of persons deceased, nor the variation in this proportion which should take place when property descends to the near relatives, or such as lived with the deceased, and to more distant relatives or friends.

Where a compulsory military service exists, without sufficient pay to procure volunteers, this must be considered as part of the aid afforded to the support of government; and ought to make a difference in the monied contribution required of the individual who serves. As the expense of the public services rendered to

different persons is unequal, as well as the interest they have in the maintenance of social order, so the period of military service required ought to differ in the same proportion. Or, if the term of service be made the same, there ought to be a corresponding diminution in the taxes required of those whose term is thus prolonged beyond its fair extent ; for service, which is money's worth, is equal to money itself. But there can be no equitable distribution of public burthens, where services are required without sufficient remuneration for them ; because there are many persons who must be exempted from serving, who nevertheless derive advantage from the services being performed ; so that the burthen is unfairly placed on those who are required to serve. For this reason, every public service ought to be voluntary, and to be paid for in proportion to its value ; for the money to defray the expense can be equitably apportioned among the people, while the service cannot. .

Requisitions of labour is a common method of calling for contribution to public objects. Neither can these be fairly distributed among the people, and they are, therefore, much more burthensome than a contribution of equal value in money. Besides this, the labourers sometimes come from a distance to their work ; they come against their inclination, and having no pay, the time is wasted, and the work is badly done. There is also sometimes a loss from the interruption of the regular avocations of the labourer, which is often equal to the value of the work performed.

In another place it has been noticed, that the protection afforded by government is, protection to our *persons* and our property. But the government likewise protects private character or reputation ; and, perhaps, the national character.

It may be that the national honour is best supported by honourable actions, without a too petulant sensitiveness and resentment of every injurious aspersion on it, which would only serve to involve the country in endless, useless, and ruinous dispute. But such a discussion would be out of place here. If the reputation of a nation ever provoked hostilities from other nations, in order to lower it in the estimation of the world ; or, if a vindication of public honour from unjust aspersions was

ever the cause of war ; the character is but the conception in the mind of the circumstances or qualities of a nation ; and whatever effect may be produced by this conception may be referred back to and follow the same rules as those circumstances or qualities themselves. Though, therefore, the province of government may be to protect public reputation as well as persons and property, it is not necessary, with regard to taxation, to take reputation into account, and our inquiries are sufficient if limited to persons and property.

It is, however, the duty of the internal administration to protect private character, which is liable to be assailed from motives of interest, envy, revenge, or malice. It is impossible to set a watch over reputation, to prevent the commission of offences against it ; there is, therefore, no expense incurred on this score. The offenders are, in general, competent to pay the cost of their own punishment ; which they ought at least to do, if they are unable to repair to the sufferer the injury done him. Consequently, the civil power cannot incur much expense in the vindication of injured honour. What little expense it may be at is induced from similar causes to that incurred in the protection of the person, and should be defrayed from the same funds.

A perfect exactness cannot be expected on all the points relating to the distribution of taxation. But let it not, hence, be thought, that the rule of distribution before advanced, or the subsequent attempts to apply it, are, consequently, useless. Though such inquiries may not determine the precise point we wish to attain, they will, certainly, show us where it is not to be found, and may direct us into the track in which it lies. The rule which governments have hitherto adopted has been a false rule, as well as indeterminate in practice ; and it is, perhaps, to the want of a definite rule, which should be plainly founded in justice and the nature of things, that we may attribute the total disregard to an equitable apportionment which has shown itself in the different taxes which have been imposed, and particularly in those of modern times.

To finish this part of our subject with a recapitulation of the conclusions to which the application of our principle of appor-

tionment leads, it may be stated, that the expense of the protection afforded by government, which resolves itself, so far as taxation is concerned, into protection to our property and our persons, may suitably be defrayed by taxes on property and on persons. That the different nature of the services of what may be called the *general administration*, and the *internal administration*, requires a different ratio of contribution towards their expense. That the contribution for the support of the general administration may be raised by a tax of equal per centage on the *capital value* of all property, and by a tax on the earnings which are or might be obtained above the necessary subsistence of the individual; and these two in such proportions that when one-half per cent. is imposed on the value of property, earnings should be charged about  $6\frac{1}{4}$  per cent. That the protection of external commerce and navigation is best provided for by duties of customs on the value of the goods both imported and exported;—of equal amount on all goods going to or coming from the same country; but different on the commerce with countries at different distances. That the contribution towards the expenses of the internal administration might consist in taxes on property and on persons, in addition to the charge on these for the support of the general administration: the tax on property to be, on the *value* of such property as is movable or exposed to depredation from thieves;—of different amount on different descriptions, according as their protection may be more or less expensive to the civil power: the tax on persons to be equal or nearly equal on all; its amount to be determined by the expense which the protection of the person may occasion. That the expense of the administration of justice in civil causes should be borne by the suitors—plaintiff, or defendant, or both, as the justice of each particular case may determine. That taxes on the descent of property by inheritance or bequest seem reasonable taxes, when kept within proper limits.

The collection and disbursement of a local revenue cannot be better placed than in the hands of the local authorities. When such funds are administered by persons who contribute to them, who are to reap benefit from their proper management, and are

at hand to superintend and see that they are faithfully applied, we may expect that nothing will be neglected which the public safety or convenience requires, and that no public measures will be undertaken the expenses of which exceed the expected benefit.

Public military instruction, if any such be adopted, comes within the province of the general administration ; it forms part of the measures adopted for the public defence, and its expense should be defrayed out of the same funds.

Besides the protection which the government affords, there are other services which it renders, that give facilities to the people in their pursuits, and remove or lessen those obstructions and dangers to which they would otherwise be exposed ; such as maintaining a circulating medium, the conveyance of letters by post, constructing and maintaining roads, bridges, navigations, harbours, light-houses, and other public works and public institutions for the security and benefit of commerce. In some countries the public establishments for education, for religious worship and instruction, and for the support of the poor, come under the administration of government. These will be separately noticed hereafter.

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## CHAPTER V.

### ON AN APPORTIONMENT OF TAXATION ACCORDING TO THE BENEFITS DERIVED FROM GOVERNMENT.

IN what has been previously said on the apportionment of taxation amongst the people, reference has been had to the relative *expense* of the protection of different persons and different parcels of property. This relative expense can only be ascertained by an abstract inquiry, which may not, perhaps, in all cases, be satisfactory. Hence, it may be worth while to inquire what are

the relative *benefits* derived by different individuals from the services of government; in order more clearly to perceive how an equitable distribution of taxation can be effected.

The benefits which we derive from the protection of government consist in the exemption from the necessity of defending ourselves; the saving of labour and expense which is effected, in consequence of the government affording protection at a cheaper rate than could be done by every man for himself, and likewise, in the protection being more effectual.

The value to different persons of the exemption from the necessity of defending themselves is in proportion to what the defence itself would cost them. The cost of the defence itself we may suppose would be in proportion to the strength of the inducements to attack; that is, in proportion to the degree of exposure, the value of the property possessed, the extent of personal acquirements, or the capacity to earn a greater sum than is necessary for subsistence.

These are the same circumstances that have already been stated as governing the expense of the protection when undertaken by government, and they do not assist in determining that expense. The difficulty lies in ascertaining the relative force of the inducement to attack which is presented by *individuals*, and by *property*; and I do not know that this can be done in any other way than that which has already been mentioned; namely, by considering individuals as of value, and ascertaining that value. If, therefore, we have reference to the *benefits* which mankind derive from the protection of government in apportioning taxation amongst them, this rule would afford precisely the same results as that which has reference to the *expense* of their protection.

But another view might be taken of the *benefits* which men enjoy *under* the protection of government. These are different from the benefits derived *from* the protection of government. The benefit which we derive *from* the protection of government, is the actual protection of our persons and property such as they are, and which we possess independently of the state. The benefit we enjoy *under* the protection of government, is the enjoyment we have of life under that protection, or the circum-



stances of fortune in which we are placed. These circumstances are not, indeed, conferred on us by the government, but they are enjoyed under its protection, and they could not be enjoyed in anything like the same degree in any other way. This rule is, with many exceptions and qualifications, the same as that founded on *our ability*, or *our means*.

Let us, therefore, notice the effect of an apportionment of taxation according to this rule.

The life, the liberty, and character of every person in a well-ordered community being equally secure, the benefits which each enjoys from liberty, life, and character, must be accounted equal; because these must be supposed to be equally dear to all. Hence, in a distribution of taxation according to the benefits we enjoy *under* the protection of the state, an equal sum must be demanded from every one for this benefit. So far our rule is plain. But when we proceed to inquire what is the amount to be thus demanded, or the relation it should bear to the other taxes to be required, our rule fails; since it does not determine the relation which the benefit derived from the possession of life and liberty bears to the benefit derived from property. We might estimate the value of life so highly, as to apportion a tax on the poor man for the preservation of his life and liberty, so as to exceed the tax for the preservation of the possessions of the rich; which would be absurd. But to proceed.

The preservation of life, liberty, and character, being effected, the benefits which men enjoy under the protection of the state, are *directly* in proportion to their revenue, and *inversely* in proportion to the labour or sacrifice they must make to procure it; —the permanency of that revenue being, for the moment, considered the same.

In estimating the relative benefits arising to different persons from their revenue, we may divide them into three classes. First, those whose revenue is derived entirely from personal labour. Secondly, those whose revenue is derived from labour in the employment of capital. And, thirdly, those whose revenue is derived from the possession of property which is employed by other persons, and requires no personal exertion of their own. There is an essential distinction of character in

each of these classes. In the first two, labour is necessary to procure their revenue: not so in the last. Again, there is a difference as to the permanence of the revenue. In the first class, the revenue ceases entirely with the labour; in the second, it does not altogether so terminate, but partly remains when the labour is discontinued; in the last, it is permanent, and altogether independent of personal exertion.

Among those who work, without employing capital to aid their labour, the benefits they derive, considering them in their relation one to another, are in proportion to their earnings. This position, however, must be taken with some qualification; for to one man the toil and sacrifices necessary to earn a given sum of money may be much greater than to another. In some employments there is a risk of the loss of health, of life, of property. Some employments are considered more honourable and respectable than others. Some are painful or disagreeable. All these circumstances must be taken into account in inquiring minutely into the benefits derived from earnings. But this would lead to an endless investigation. Our present purpose is merely to elucidate the general effects of this rule for apportioning taxation; and for this end, it is sufficient if we consider all employments as requiring the same labour and sacrifices, and as undertaken with the same risks and the same reluctance.

Among those who labour in employing capital, the benefits they derive, considered one with another, are in proportion to their profits. Neither can this position be taken without limitation. There is greater risk in some businesses than in others; some are unwholesome, unpleasant, or considered less reputable; which occasion a considerable set-off against the benefits derived. But these, as in the case of different descriptions of work, will be passed over as unnecessary to the present purpose. Some difference must exist, likewise, where the profits are not proportioned to the capital employed. Because where the capital is greater in proportion than the profits, the permanent revenue which it may yield when labour shall be discontinued is also greater.

Among the class of proprietors who live without any work, on the rent or interest of their property, the property being em-

ployed by other persons, the benefits they enjoy, comparing them amongst themselves, must, generally speaking, be accounted to be in proportion to their revenues. In different descriptions of property, however, some afford a permanent and secure income, whilst others are hazardous, or last for a limited period only. In estimating the benefits, the hazard or want of permanency must be brought into account, and the net revenue only taken after allowance has been made for these. But the advantages and disadvantages of every kind are expressed by the value of the property, which is, therefore, an exact mode of estimating amongst proprietors the benefits they respectively enjoy under the protection of the state. On the present occasion, however, the revenue will be taken, as more suitable for comparison with revenue derived from labour.

Thus, generally speaking, we may say that the benefits enjoyed by different individuals in the three classes which have been mentioned, as compared with other individuals in the same class, are in proportion to their respective incomes. But we cannot in the same way compare the benefits derived from income in one class with the benefits derived from income in another class, and consider them equal when the incomes are equal, or proportionate when the incomes are unequal ; for the benefits are altogether different.

The benefits which the man who labours without capital enjoys under the protection of the state are the least of all. First, his earnings can only be procured by the sacrifice of his pleasures and by painful labour ; and, secondly, there is no permanence in his income, which only lasts during the continuance of actual labour. In case of sickness, old age, or infirmity, his income ceases altogether ; he must, therefore, provide against these ; and, perhaps, for the necessities of a family in case of his death. The man who possesses a capital which he employs in business is not under the same necessity ; because his capital is available for further income, when he himself shall be no longer able to work. To place these two on the same footing, if we would assess an equal rate of tax on the income of each, we must consider the income of the man who labours without capital as less than that of him who labours with capital, by as much as

would insure his life for the sum which this other employs as capital. The one may be considered as obliged to insure his life, whilst the other is under no such necessity; and, consequently, has an available income for expenditure greater than the first, by the amount of the premium of insurance.

If we compare the condition of the labourer with the condition of the proprietor who does not work, but lives on the rent or interest of his property, we have here a still further set-off against the labourer, in addition to that which arises on comparing him with the man who employs capital, in that these two are both doomed to labour, whilst the proprietor is not, and pursues nothing but his pleasure. There is some risk in most businesses; and the value of the exemption from labour and risk of the inactive proprietor is expressed by the excess of the profits on capital in trade over the returns on the value of other property. If property in trade return on the average ten per cent., and other property yield only five, then the value of the exemption from labour and additional security of the inactive proprietor must be accounted equal to five per cent. on his capital; for if it were less than this, or supposed to be less, there would be an advantage in being in business, and the gentleman would turn trader. We cannot say, therefore, that the tradesman who employs £1000 in business is better off than the man who owns £1000 invested in good security, and lives idly on the interest; though the income of the former may be double that of the latter; for the value of the idleness and greater security of the latter must, in common estimation, make up the difference. Neither can we say that the man who labours, and thus earns a comfortable subsistence, is better off than the man who has the ability to earn, but yet neglects to do so, and lives in idleness and comparative penury; for the value of the exemption from labour must, in his estimation at least, make up for the privation which he endures. I speak not now of the man who remains idle because he cannot procure employment; with him it is otherwise. Hence we conclude that, amongst the owners of property, a man is better or worse off in proportion, not to the income he actually derives from it, but to the income he might derive; and, amongst those who work or re-

main unemployed, that individuals are better or worse off in proportion to what they might earn ; or, universally, that a man is better or worse off in proportion, not to the income he possesses, but to the income which he might have, if he would subject himself to the same toils and hazards as other people.

If, therefore, taxes must be assessed on income, rather than on the value of property, (which last is, however, the most exact criterion,) we ought to charge all property as though it were employed, and the rent or interest to the idle proprietor at a rate, in general, double that of the profits of capital in business ; for the returns on capital employed are in general double those arising from other property, in consequence of the labour and risk of employing capital. The wages of labour must be charged lower than the profits of capital in business, on account of the utter cessation of return with the loss of the ability to work. If the ordinary term of the ability to labour be accounted twenty years, money be reckoned to produce five per cent. interest, and capital when employed to yield a return of ten per cent., it will be necessary for the labourer, in order to put himself on an equality with the capitalist as to permanency of income, to lay by annually from the commencement £3 out of every £10 of earnings, to accumulate at compound interest ; which at the end of twenty years (the average term of the ability to labour) will amount to £100,—the sum for every £10 of income which the capitalist has, when he retires from business. It might be supposed here, that the sum which the labourer must lay by annually, in order to put himself on an equality with the capitalist, should be such only as would, if employed as capital, and yielding ten per cent., amount to £100 at the end of twenty years. But it should be recollected that the labourer is fully employed in his occupation of labourer, and cannot, whilst following this occupation, employ capital also : he can only lend his savings to others, if they must be employed, and these persons would then be entitled themselves to the excess of the rate of profits over that of interest. It is not pretended that the estimate here taken of the common duration of labour, and of the profits of capital, is sufficiently correct to be acted upon. Capital employed in small sums yields much more than ten per

cent. per annum, and in large sums it does not yield so much. But this estimate, for want of a better, is taken merely to elucidate the effects of a distribution of taxation, supposing the benefits enjoyed under the protection of the state to be the rule of distribution.

According to this rule, therefore, if a tax of ten per cent. were imposed on the income derived from property which is not employed by the owner, the tax on the profits of capital employed must be five per cent. only ; for though capital employed yield twice as much as property unemployed, the greater return of the former is no more than the reward of the labour and risk of employment, which the inactive proprietor himself might gain, if he chose to turn his property into money and employ it as industriously as the trader ; and this difference of tax is only necessary to put the two on an equality. According to this rule also, the wages of labour must be charged less than the profits of capital, on account of the cessation of return when the labour shall be discontinued. It should be charged so that every £10 of earnings should pay no more tax than if it were £7. Or, when profits are charged five per cent., wages must be charged  $\frac{7}{10}$  of five per cent. ; that is,  $3\frac{1}{2}$  per cent. An equal sum ought also to be paid by every one for the personal security enjoyed, and the exemption from the labour and expense of defending himself. But it does not appear how the amount of this latter sum can be determined by the rule of distribution now under consideration.

With regard to earnings, however, we ought to exempt from taxation the wages of the very lowest class of labourers. When a man has no property, and his earnings are barely sufficient to support existence, we cannot affirm that he derives any benefit or enjoyment under the protection of the state. We ought rather to say that he *suffers* under that protection. Excepting the personal security afforded him, he derives no benefit from government. If there had been no government, his condition could scarcely have been worse. To tax him, would be to tax privation and suffering, rather than enjoyment. Besides, the rights of property themselves give way when the support of existence is concerned.

From all that has been said on this branch of our subject, it appears that the effect of a distribution of taxation according to *the benefits which men enjoy under the protection of the state*, is nearly the same as when *the expense of the services rendered* forms the rule of distribution. When, however, the precise expense of any service rendered to a particular person can be determined, no distribution can be so proper as that which apportions to him this precise sum, and neither more nor less. This rule is so evidently just, and any deviation from it, which must call on some individuals or other to pay more than their reasonable share, in order to make up the deficiency, is so obviously founded on injustice, that where its application is plain, it is impossible to err in following it implicitly. But when there may be anything of a doubtful or indeterminate character in its application, the benefits enjoyed under the protection of the state seem a reasonable and equitable rule for apportioning taxation. Where one of these rules cannot be applied, the other may be more easy of application; and besides, the consideration of two methods of apportioning taxation, which seem almost equally reasonable, and afford nearly the same results, must serve to confirm the conclusions drawn from either. It is for this last end, chiefly, that these remarks have been made.

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## CHAPTER VI.

### ON A TAX ON THE VALUE OF PROPERTY.

A TAX on the capital value of property is not new. In Adam Smith's enumeration of the principal taxes which have been imposed in Europe, he states,—at Hamburgh, every inhabitant pays one-fourth per cent. of all that he possesses; assessing himself on oath in presence of the magistrate. In the canton of Underwold, in Switzerland, on extraordinary occasions, the inhabitants assemble and declare what they are worth in order

to be taxed accordingly. In Holland, a tax was once raised of two per cent. on the whole substance of every citizen. In the province of Holland, every house is taxed at  $2\frac{1}{2}$  per cent. of its value, without regard to the rent which it actually pays, or to its being tenanted or untenanted. Whence it should seem, as a tax on the value of property has been in use in several instances, that it has not been attended with any particular inconveniences.

While the ability to pay was considered the guide of taxation, it was natural to have reference to the revenue. But if the expense of the protection of property be the guide, it seems more natural to have regard to its value. A tax on the value of property is in every respect equal; while a tax on the revenue derived from it cannot be so. The whole of the advantages and disadvantages derived from the possession of property are necessarily expressed by the value; because all these, whether they consist of revenue, patronage, honour, security, or other benefit, on the one hand, or risk, trouble, and insecurity, on the other, are necessarily taken into account in computing the value; since property is not valued for itself merely, but for the advantages it confers. The advantages of patronage, honour, or whatever else is derived from the possession of property, can be possessed only through the protection of government, and these ought certainly to contribute somewhat to the expense of the continuance of that order of things whereby alone their possessors are enabled to claim a superiority over other men. The possession of freehold property carries with it a degree of consideration and dignity greater than property of other descriptions; it is in general accompanied with a certain portion of political influence; its possession is necessary to qualify for holding various offices in the state, and it is sometimes accompanied with ecclesiastical patronage. The possession of East India or Bank stock gives a vote in the appointment of Directors; its possession is necessary to qualify for a seat in the directory; and thus it either carries with it a portion of the patronage of these companies, or a chance of possessing it. It cannot be doubted that this circumstance must somewhat raise the demand for the stock of those companies, and, consequently, have a tendency to raise its



value. No tax, therefore, can be equal which affects the pecuniary revenue merely, and leaves untouched those other circumstances which raise or depress its value above or below the natural level.

It has been already shown, leaving all these circumstances out of account, that the apparent revenue itself is, in every different species of property, and in different portions of the same species, wholly different from and disproportioned to the *net* or disposable revenue which may be safely applied to the expenditure of the holder, without incurring a risk of its future diminution. But it is this net revenue alone that can place different descriptions of property on an equality, and that should form the basis of an equal system of taxation. The circumstances which must be taken into account to compute it are so various, minute, and intricate, that general rules would be difficult to meet them with any degree of exactness. The value, however, of property is continually ascertained by its sale, and the comparison only is necessary between various portions of the same description; a computation much less difficult than the other.

When property is let, there are sometimes many covenants between landlord and tenant, besides the payment of rent; such as repairs, or improvements, insurance, and the payment of rates. When these expenses are borne by the tenant, the rent is lower in proportion, which occasions the tax assessed on the rent to be low also; while a property in which the landlord is to bear these expenses will let for a higher sum, and the tax be higher in consequence; though the two properties be exactly similar.

A tax on the value of property may be more easily assessed with equality. Sometimes the landlord drives a hard bargain with the tenant, and sometimes he treats him liberally. In those cases the tax assessed on the rent is hard or liberal also. A tax on the value is also superior to one on the rent as respects its collection. A tax on the rent must depend on the receipt of the rent, and the charges made must be liable to many deductions. But a charge on the value of property, imposed as a necessary consequence of providing for its security, would not depend for its payment on the receipt of the rent, nor be varied

on an alteration in that rent, because its value would still remain the same, and the expense of its protection would not be varied, nor would this expense be lessened if the property should remain wholly unproductive. The permanence of the assessment would render it less objectionable to individuals; and as deficiencies on the charges could only arise from the destruction or removal of the property, they would be small, and afford few opportunities of defrauding the revenue.

An objection, however, might be raised to taxing the value of property, that when unproductive, it would be inconvenient to the contributor to pay the tax. This inconvenience might be obviated by allowing the payment to be postponed until the property again became productive; it being always held liable to the tax, and interest being demanded for the time during which the payment should be deferred.

A tax on capital may by some be thought injurious, as likely to lessen the amount of capital, and to turn it from the maintenance of productive to that of unproductive labour; or from capital reserved for production to that intended for immediate consumption; by such means tending to waste the national capital, and bring on a state of general poverty. Undoubtedly, such a tax would have this effect if it at any time exceeded the rent or produce of the capital; as it would then be necessary to pay the tax with a portion of the capital. But when kept within this rent or produce, it can have no more tendency to lessen capital than a tax of the same weight imposed on the revenue derived from it. It is the *amount* of the tax, and not the *mode of its assessment*, that can have this effect. A tax in either of these forms will lessen the capital, if the owner have not resolution enough to diminish his expenditure, so as to keep within the bounds of his remaining income; and in neither of them will it do this, while the owner possesses such resolution. This imputation of disadvantage, therefore, lies against a name only, and not against a substantial ground of objection.

## CHAPTER VII.

## ON THE EFFECTS OF INDIRECT TAXATION.

THE system of taxation adopted in this country, places almost the whole of the public contributions on articles of expenditure. This system fails in a signal manner in effecting that most essential requisite in taxation—an equitable apportionment of the burthen. Taxes so imposed are paid by those only who spend, and in the measure in which they spend ; while those who hoard, or go abroad, escape from their payment ; leaving the people at large to make up the deficiency. Again, persons whose incomes are derived solely from their labour pay in the same ratio as those whose incomes are derived from property ; though, in addition to the protection which the government affords in common to the *persons* of both, to these last it affords protection to *property* also. To the owner of property there is more protection afforded than to the workman who is destitute of any ; and yet the contribution is the same from each.

Taxes on objects of expenditure not only bear unfairly on the contributors, but they operate injuriously in many other respects ; some of which are worthy of notice.

They present an inducement to persons of property, or deriving incomes in other ways from the country, to go abroad to spend them ; because by this means they avoid the payment of our taxes on expenditure, and, in other countries, such taxes are light ;—the greater portion of the burthen being placed on the sources of revenue. Thus, notwithstanding that our government keeps down the unprincipled among the populace, and secures to these absentees the safe possession of their estates, and the recovery of the rents accruing from them, yet they leave us to bear all the expenses ; contributing nothing or next to nothing towards them themselves. Without pretending to blame such persons, the error of the system is yet open to exposure and reprehension. If it were wished to bring back these absentees, and induce them to spend their money at home, or at least to

bear some portion of the public burthens, nothing more is required than to change taxation from objects of expenditure to sources of revenue.

Taxes on objects of expenditure always alter more or less the line of expenditure of the people's incomes ; and therewith, as a necessary consequence, the direction of national industry, which always follows the line of expenditure. But, in making these alterations, such taxes divert expenditure and production into channels in which they would not run of their own accord, and which are necessarily less advantageous than those in which they would flow, if left to themselves. Thus, without benefiting the government, or raising more taxes than might be procured in another way, such taxes take away advantages which the people would otherwise possess, and render them less able to pay the taxes that are required of them. Most of the productions of industry may be used in a variety of ways, and for a variety of purposes ; and the number of ways, as well as the extent, in which any commodity may be advantageously used depends upon its price. There is always a point at which its use ceases to be profitable, and beyond which such use would involve a loss ; and the position of this point being governed by the price, it is raised or depressed as the price rises or falls. Individual industry and expenditure are always directed in that way which, under existing circumstances, is most advantageous ; at least as far as the knowledge and means of the parties admit. Any commodity which, by the imposition of a duty, is raised above its natural price, ceases in consequence to be used in so many ways, and to so great an extent, as before. Existing circumstances become altered for the worse, and the people are driven to substitute other commodities, not so well suited to the purpose ; or to abstain from using the taxed commodity at times when, had the duty not been imposed, they would have used it.

Duties on foreign commodities, laid on for the ostensible purpose of protecting and encouraging home production, not only have no such effects, but directly frustrate the very ends they were intended to bring about ; namely, the increase of industry and wealth. The advantages which foreign commerce confers, and still more, the advantages which it is capable of conferring,

if it were allowed to follow unrestrained its natural course, have been already spoken of in another place, and need not be repeated here. These advantages are withheld from us chiefly through the instrumentality of duties on foreign productions; and, accordingly, it is to these duties that we owe the mischievous consequences which result from the want of freedom of commerce, the burthen of which exceeds that of the payment of the money, and this we have to bear without procuring any benefit in return, beyond the disguise under which the taxes are drawn from our pockets.

Taxes on some particular commodities, however, are more injurious than on others; while some appear to be attended with but little injury beyond their actual payment.

Amongst such as are unsound in principle, we may enumerate those which burthen, and consequently retard, the progress of discovery and invention, the diffusion of information, in all its various branches, and the spread of sober and industrious habits. Of this kind are, duties on paper, advertisements, and the instruments and materials of experiment. In chemical inquiries, taxation is met at almost every step. The electric apparatus, the galvanic battery, acids, alkalies, vessels, and retorts are all sources of revenue to the state. Happily, coals are now exempted. It was a wise policy which dictated the repeal of the duty on this most important material of science and industry. The cheapness of fuel, next to a fertility of soil and goodness of climate, is the greatest natural source of opulence. An artificial dearness, occasioned by the imposition of a duty, is of equal effect with a natural scarcity. Since the invention of the steam engine, a tax on coals became a tax on labour; and in limiting the exertion of labour, it diminished the supply of the productions of industry. The effect of duties which repress invention and enhance the expense and difficulty of the acquisition of knowledge, is not only to deprive us of the intellectual gratifications of scientific and literary inquiries, but to check the production of articles of material wealth, to render them dearer, and of inferior quality, and to stint our supply of food, of clothing, of fuel, and of lodging.

The duties on the raw materials of our manufactures raise

the prices of the manufactured articles, and thus operate injuriously to trade in lessening the demand for goods. The duty on paper injures the people in some degree, not only by checking the diffusion of knowledge, physical and moral, or by diminishing the extent of the paper manufacture, but by lessening employment in the trades dependent on it, as printing, engraving, type-founding, ink-making, book-binding, paper-staining, and several others. "Books carry the productions of the human mind over the whole world, and may be truly called the materials of every kind of science and art, and of all social improvement." The same objections lie to the duties on many other raw materials of our manufactures, as hemp, barilla, ashes, soap, drugs, dyes, and some others, which raise the prices of the manufactured articles.

Again, duties on articles of capital, such as timber and woods of all kinds, bricks, lime, or paint, are directly opposed to theoretical views. These duties, by enhancing the expense of building, lessen the number of instances and the extent in which buildings may be employed with profit; and, consequently, without raising any revenue for the state, they deprive the people of the advantages that might accrue from a more extended use of buildings in these instances. If the materials of building were cheaper, they might be profitably employed in many purposes, both of agriculture and trade, in which they cannot now be employed without loss. In that case, drains, fences, and more extensive, commodious, durable, and useful buildings would be constructed, which would afford additional accommodation, or sources of revenue. The same remarks apply to taxes and rates imposed on the rent of buildings, which operate in the same manner as a natural dearness of buildings. To stint us in the buildings and fences employed in industry, is equivalent to stinting us in the tools and implements with which our daily labour is performed. Taxing articles of capital, and thus raising an artificial difficulty in the way of their acquisition, cannot but lessen the quantity and quality of the productions of labour, and spread a comparative poverty over the land. In thus taxing articles of capital, a portion of the capital of a country is absorbed, which, operating in the same way as a natural scarcity, diminishes the benefits which capital affords. On the

building of a house, a large sum of money is paid to the government in duties. The person who builds pays this sum out of his capital, and is to be repaid by the tenant in the course of a long series of years, in the shape of a higher rent. But if, instead of thus taxing the capital of the builder, the same sum in taxes were laid on the whole country, the people would pay it out of their incomes, and not out of their capital; and there would remain in the country a larger capital, available for productive uses.

Another injurious consequence resulting from these duties arises from their unequal imposition on different articles of a similar nature, which induces the use of articles of inferior, in lieu of those of better quality. Thus, while the duty on timber from Canada is ten shillings per load, the duty on that from the Baltic is fifty-five shillings. Consequently, the dear and inferior pine timber of America is substituted for the sound yellow deal of Norway. The same remark applies to bricks. While the statute brick is subject to a duty of 5*s.* 10*d.* per thousand, the 12 in. paving tile, which contains but little more than double the cubical contents, is charged a duty of 48*s.* 4*d.* per thousand. The consequence is, that the latter highly useful article is almost gone out of use, and common bricks, but little suited to the purpose, or paving stones, are substituted in its place.

Again, the necessity of advancing the duties to the government before the articles are sold, renders it necessary for the trader to employ a larger capital than he would otherwise want. But when a larger amount of capital is required to carry on the trade of the country, its effect is the same as would result from a falling off in the amount of the national capital. The necessity of employing a larger capital precludes persons of small capital from engaging in business and competing with larger capitalists to so much advantage as, under other circumstances, they would be enabled to do. Thus competition is checked; the larger capitalist acquires an advantage at the expense of the smaller; the profits of trade are in a measure increased, and the public made to pay more than they need to do.

Another circumstance occasions the people to pay much more

in these taxes than is received by the state. In advancing the duty to government previous to the sale of the article, the trader of course charges his customer a profit on the capital thus advanced. If this customer should not be the consumer, but another trader, this last when he sells the article lays a profit, not only on the original duty, but on the first trader's profit superadded to it. If the article pass through the hands of a third trader, this man lays a profit on the duty and on the first and second traders' profits also. Thus, in every transfer, a profit is laid on all the former profits, and the duty accumulates in the nature of compound interest. This accumulation, too, goes on not simply at the common rate of interest of money, say four or five per cent.; but at the rate of profits of capital in trade, which, after remunerating the trader for occasional losses from bad debts, must leave him a net profit of perhaps ten or more per cent. Again, the tradesman must be paid for his trouble in paying the duties, and in complying with the regulations imposed by the revenue laws. Thus, it is obvious, that the people pay a great deal more in these duties than is received by the state. They are, besides, exposed more frequently to the adulterations practised by the trade, which are induced in a greater degree through the high prices of the articles in consequence of the duties.

Taxes on commodities always require a great number of officers to collect and manage them; and their collection is attended with much more expense than that of other taxes. The regulations and restraints which are framed to protect the revenue arising from these taxes are exceedingly numerous and strict; they prevent the manufacturer from carrying on his business in that way which is most convenient and least expensive to himself, and hinder his making those improvements in the processes which his skill and experience may devise.

Mr. Babbage observes, "The effects of regulations of excise upon our home manufactures are often productive of inconvenience; and check, in some measure, the natural progress of improvement. It is frequently necessary for the purpose of revenue, to oblige manufacturers to take out a licence, and to compel them to work according to certain rules, and to make



stated quantities at each operation. When these quantities are large, as they usually are, they deter manufacturers from making experiments upon new materials; they likewise prevent them from discovering by trial improved methods of conducting their processes. Difficulties of this nature have occurred in experimenting upon glass for optical purposes; and in this case, permission has been obtained by fit persons to make the experiments without the interference of the excise. It ought, however, to be remembered, that such permission, if frequently granted, might be abused."

"From the evidence given, in 1808, before the Committee of the House of Commons, *On Distillation from Sugar and Molasses*, it appeared that, by a different mode of working from that prescribed by the excise, the spirits from a given weight of corn, which then produced eighteen gallons, might easily have been increased to twenty gallons. Nothing more was required than to make what is called the *wash* weaker; the consequence of which is, that fermentation goes on to a greater extent. It was stated, however, that such a deviation would render the collection of the duty liable to great difficulties; and that it would not benefit the distiller much, since his price was enhanced to the customer by an increase of expense in the fabrication. Here, then, was an instance in which a quantity, amounting to one-ninth of the total produce, was actually lost to the country. A similar effect arises in the coal trade, from the effect of a duty; for, according to the evidence before the House of Commons, it appears that a considerable quantity of the very best coal is actually wasted. The amount of waste is very various in different mines; but in some cases it amounts to one-third."\*

In the malting trade, too, "The severe and vexatious excise regulations at one and the same time, have the effect of unnecessarily fettering the operations of the maltster,—of deteriorating the quality, and adding to the price of his malt,—and of putting him wholly in the power of the pettiest officer of excise."†

We should therefore estimate the expense of collection of indirect taxes at but a small part of their actual cost, if we

\* *Economy of Manufactures*, p. 272.

† *Edin. Rev.* vol. 44. p. 373.

omitted to bring into account these injuries, with the trouble and loss of time they occasion to the people ; which never appear in the statement of expense to the government ; but which, in some of these taxes, are equal in value to the expense which does so appear. The frequent visits and examinations of the officers are a source of vexation, and sometimes of oppression ; “ and though vexation is not, strictly speaking, expense, it is certainly equivalent to the expense at which a man would be willing to redeem himself from it.” Now the goodness of the supply of the necessaries and conveniences of life of any community must depend, other things being equal, on the number of persons employed in contributing to that supply, in relation to the number of persons to be supported on it. But the great number of revenue officers which these taxes require diminishes the number of the people employed in productive labour ; and yet, without contributing at all to that supply, they must be supported out of the diminished produce. Thus their salaries and emoluments increase the labours and privations of the people who have to pay them ; whilst the occupation and waste of the people’s time lessens the productive effect of their labour, and renders them less able to pay.

These taxes generally offer multiplied opportunities and strong temptations to defraud the revenue ; and when they are high, fraudulent practices or smuggling are sure to be carried on, in spite of the utmost vigilance to prevent them. In proportion as the taxes are evaded, so is the fair trader’s reasonable profit curtailed ; and he is almost driven, in self-defence, either to adopt the general practice of defrauding as others do, or to give up his concern. Almost all the businesses which government has materially burthened with duties have been injured thereby, and the fair trader’s profit reduced below the level of other businesses.

Taxes on commodities render a great many laws, penalties, forfeitures, and punishments, necessary for their protection. The distressing severity of these penalties and forfeitures, when put in force, commonly ruins the unfortunate offender ; while it destroys the capital he possessed, and deprives the country of the advantages which its productive employment might have

afforded. For the capital henceforth, instead of continuing to be productively employed, is expended as revenue by the government agents, and disappears altogether. In estimating the burthen of these taxes, we must always reckon the forfeitures, penalties, the law expenses and punishments, which are sure to accompany them; and which, without increasing the revenue of the state, waste the national capital, and multiply the sufferings of the people.

Again, such taxes oblige governments to brand with the infamy, and visit with the punishment of guilt, actions that are in themselves innocent. But, to punish mankind for actions that are guiltless, is to subvert the natural order of things, to confound vice and virtue, and to remodel them, as it were, upon other principles different from the real nature of things. It is to break down the barrier which separates virtue from vice, and which prevents men from becoming vicious. To punish such actions, is to allure men on insensibly into crime; for the feeble barrier of things indifferent, except as human laws have made them otherwise, is easily passed; but when once passed, and men have become amenable to the laws of their country, and covered with the disgrace of a breach of them, a further transgression in matters not merely indifferent, but really criminal in themselves, becomes easy, and they go on from bad to worse; when, had the first false step not been so easy, they, perhaps, had ever remained virtuous members of society. It would be only a just retribution for thus overstepping the just limits of its authority, and presuming to intermeddle in things beyond its province, if government should in consequence be brought into contempt, and its laws become hated by the people; when they find themselves classed with malefactors, and punished as such, without, perhaps, having had any evil intention. "The law, contrary to all the ordinary principles of justice, first creates the temptation, and then punishes those who yield to it; and it commonly enhances the punishment, too, in proportion to the very circumstance which ought certainly to alleviate it, the temptation to commit the crime."

The assessed taxes are, immediately or ultimately, taxes on expenditure. Yet such as are immediate in their operation do

not take out of the pockets of the people more than they bring into the treasury ; since no capital is advanced by any one, and therefore no profit laid upon it. Beyond the mere contribution of the money, however, they deprive persons of many enjoyments which would otherwise be within their reach, and obstruct them also in their pursuits. The house duty, now repealed, does not call for much remark. When in existence, this duty, as well as the remaining duties on windows, caused persons to occupy smaller houses, and put up with less light than was advantageous to them. In some cases, they operated as a tax on articles of capital, by increasing the expense of occupying houses employed for purposes of business. Duties on horses and carriages lessen the number of instances in which they might be profitably kept, and must sometimes be the occasion of persons walking instead of riding to places where their presence may be required, or to refrain from going, when, without the duty, it would be better to ride than to walk, and more advantageous to go than to stay at home. In such cases, facilities which natural circumstances present are withheld ; the government gets nothing ; but while it attempts to make the people pay, it diminishes, or perhaps destroys, some of the sources of profit which might enable them more easily to do so.

Duties on the transfer and sale of property are at once inexpedient and unfair. They are inexpedient in two respects. First, they are paid out of the capital, and not out of the revenue ; and hence the objections which have been already stated as applying to taxes which diminish the national capital apply in their fullest extent to these duties.

Secondly, they are mischievous in their effects, because they form a clog on the circulation of property, and prevent that distribution of it obtaining which is most beneficial to the individuals immediately interested, and to the community at large. "Every exchange which takes place in a country," says Mr. Malthus, "effects a distribution of its commodities better adapted to the wants of the society, and calculated to give a greater market value to the whole produce." M. Say, on the same subject, remarks, "Has the public any interest in the free circulation of property ? So long as the object is in existence,

is it not as well placed in one hand as in another? Certainly not. The public has a decided interest in the utmost possible freedom of its circulation; because by that means it is most likely to get into the hands of those who can make the most of it. Why does one man wish to sell his land? but because he thinks he can lay out the value to more advantage in some channel of productive industry. And why does another wish to buy it? but because he is desirous of investing a capital that is lying idle or less productively employed; or because he thinks it susceptible of improvement. The transfer tends to augment the national income, because it tends to augment the income of the two contracting parties. If they be deterred by the expenses of the transfer, those expenses will have prevented this probable increase of the national income." However easily these taxes may be collected, this is no adequate compensation for the injury they inflict on the community. They, in a measure, compel persons to keep things which are of little use to them, rather than exchange them for things, which, though not better in themselves, are nevertheless much more suited to their wants, and much more calculated to promote their welfare. The value of the things thus held by persons to whose wants they are unsuited is, evidently, reduced by the amount of the expense of the sale and transfer.

Duties on leases are equally inexpedient and unfair, with those on the transfer or sale of property. Adam Smith, speaking of the security which successive improvements in the law have gradually afforded to the farmers in the possession of lands held on lease, says, "These laws and customs, so favourable to the yeomanry, have perhaps contributed more to the present grandeur of England, than all their boasted regulations of commerce taken together." And again, "After small proprietors, rich and great farmers are, in every country, the principal improvers." Duties, therefore, which operate as a discouragement to granting leases of property, are calculated to lessen the advantages derivable by the people from the possession of leases. Both these duties are unfair, for there can be no justice in the government demanding money on every sale, transfer, or lease of property; since no additional services are then required of it;

and since the expense of the protection of any property is not increased, though it should change owners many times in the course of a year. Such duties are of the same nature as the *alcavala* of Spain and Naples. The injury which they occasion is of less magnitude, because they are less extended in their operation, but it is of the same kind. They fetter and impede the progress of wealth and enjoyment, and keep down the value of property below the point to which it would otherwise rise.

Objects of luxury have been considered the most proper subjects of taxation. But this is an erroneous idea, and arises from the imperfect conception of the principle which should govern the distribution of taxation ;—considering the *ability* of the individual as the proper criterion by which to distribute it. The industry of the people will be in proportion to the gratifications which exertion procures. The consumption of articles of luxury will depend on the sacrifice which must be made to obtain them,—that is, on their price ; and if this be raised by the imposition of duties above its natural level, their consumption will be diminished. If their consumption be lessened, the enjoyments of the people will so far be lessened ; they will be driven to the use of expedients as substitutes, or to abstain from them altogether. These substitutes must necessarily be of inferior quality, either as respects their intrinsic worth, or, which comes to the same thing, the desire of the people for them. As the government does not in these instances obtain the tax, it derives no benefit, while it deprives the people of their enjoyments. The idea of the expediency of these taxes can have arisen solely from the limited view taken of them, as not prejudicial to the *wealth* of society. But this can never be a sufficient reason for their adoption when they curtail its *enjoyments*. The people must pay taxes, and ought to be required to pay them, whether willing or not ; but when this payment has been made, there ought to be no impediment to their spending the remainder of their incomes on commodities which they most desire, at their natural prices ; so as to procure the utmost gratification possible. From these objections, however, must be excepted such articles of luxury as are of no real utility in themselves, or of none superior to plainer articles ; and which,

therefore, afford no gratification beyond what arises from their serving as marks of distinction on account of their expense ; as jewels, trinkets, lace, the finer sorts of manufacture, feathers, some sorts of fur, and such-like articles, that are valuable from their rarity alone, but of little use. Duties on such articles would be considered as adding to their beauty or desirableness, by increasing their value, and thus would render them more highly prized and more eagerly sought after. If ostrich feathers were as cheap as hen feathers, there is no lady but would scorn to wear them, however superior their beauty.

It has been urged in favour of taxes on objects of luxury, that though they bear unequally on the revenue of different individuals, yet "any inequality in their contribution, which can arise from such taxes, is more than compensated by the very circumstance which occasions that inequality: the circumstance that every man's contribution is altogether voluntary ; it being altogether in his power either to consume, or not to consume, the commodity taxed. Where such taxes are therefore properly assessed, and upon proper commodities, they are paid with less grumbling than any other." This observation is entitled to attention. Doubtless, in adopting any measure, its advantages as well as disadvantages must be taken into account, and their relative importance estimated, in order to see on which side the balance preponderates. Perhaps, when the amount to be raised by such taxes is not large, it might not be worth while changing them for others. But when the amount to be thus raised is very great ; when, consequently, the diminution of consumption of articles which would otherwise afford a high degree of gratification, and when the privation of the people, the diversion of industry from its natural channels, and the increase of smuggling, have, together, occasioned mischiefs almost insupportable ; the inequality in the pressure of these taxes, added to their other evils, becomes of much greater moment than the advantage of their being paid voluntarily, or with less reluctance, than taxes of other kinds. But a debt which is due from any man ought to be paid by that man, whether willing or not ; especially when, if from such unwillingness he evade payment, the debt must be paid by others. Taxes are a debt due from

individuals to the community, which they are bound by every obligation of justice to pay, and a liberty in any member to evade the payment is a positive injury to the rest. Indeed, it does not appear upon what principle a deficiency in the taxes thus occasioned can be required to be made good by others. If my neighbour choose to live in a garret, and debar himself the ordinary comforts of life, why should I on that account be called upon to pay a part of his taxes for him? Doubtless, the payment of taxes is unpleasant, but it is a necessity arising out of the nature of things, and is as reasonable as the payment of any other debt for which value has been received. Though the security which government confers is but a negative benefit, consisting rather in the prevention of ill, than the diffusion of good; yet this negative benefit is of indispensable necessity; and though money paid in taxes may appear to produce no return, there are few articles of a man's expenditure which procure him more solid advantages.

It must likewise be admitted, that all indirect taxes have the recommendation of being levied with less apparent hardship and vexation. They are usually paid unconsciously; the tax is confounded with the natural price of the commodity on which it is imposed, the buyer of which seldom reflects that in paying the price demanded for it, he is paying a tax to the government. The article itself is an object of sufficient attraction to induce him to give as much money in order to acquire it as is equivalent, not only to its original value, but to the tax superadded to it. In paying taxes in this way, he pays them without reluctance. He always gets something for his money. In the direct way, he seems to get nothing; and there appears more of the character of spoliation. The payment of indirect taxes is not, however, altogether voluntary; for many articles are taxed which are of indispensable necessity, and in which we cannot evade the impost, however desirous of doing so, because we cannot do without the articles on which it is placed. There is this advantage, likewise, in indirect taxes, that they are levied in small sums, and paid by the people according to their ability at the time; and, if we except the dealers in the taxed articles, they involve no inquisitorial inspection into private matters.



The unpleasantness of appeals, and private animosities, as well as of compulsory payment, is also avoided. From these circumstances, indirect taxation affords a means of raising a larger revenue than could well be obtained through direct taxation. In this way, the government of Great Britain has raised enormous revenues, which the people would never have quietly consented to pay in direct contributions from their purses.

Taxes on commodities are very often the occasion of much mischief on their first imposition, as well as on any subsequent increase or diminution in their amount ; and again, on their being taken off. Individual industry, in the long run, accommodates itself as nearly as may be to existing circumstances, and to the most advantageous employments which such circumstances present. But when the government lays on or takes off duties on commodities, those circumstances become suddenly altered ; the demand for those commodities is increased or lessened, as the taxes on them are lightened or increased, and industry must, consequently, alter its channel of production. But industry cannot on a sudden accommodate itself to the rapid transition or alteration in the demand for articles which a change of duties occasions. The alteration in one branch affects other branches, and thus such change in fiscal measures sometimes produces an extensive derangement of business, causing workmen in some branches to have more work than they can perform, with too high wages, while in others they have little employment and insufficient pay. In this change in the condition of the men the master comes in for his share of the loss or gain. The landlord of the premises where the concern is carried on, with the tradesmen in the neighbourhood, likewise participate indirectly in the prosperous or declining condition of the trade. Thus such taxes, when first imposed or increased, do not fall on the parties for whom they are intended ; instead of being paid by the consumer, they are paid in part out of the profits and wages of the producers ; and when reduced or taken off the public for a time are seldom more than slightly benefited by the relief ; the increased demand for the articles enabling the producers to put the larger part of the duty into their own pockets.

Indirect taxation is not only necessarily unequal when im-

posed with the greatest judgment, but it is unfit for general and permanent adoption, also, inasmuch as it cannot be increased or diminished from time to time, as the public wants require, without disturbing that equilibrium of pressure which it may be capable of attaining, as well as occasioning a derangement of industry. Let it be supposed that at any given period, a system of such taxation should be so well contrived as to bear as equitably as possible on the expenditure of different persons and classes. If it be found necessary to increase or lessen the public revenue, this equilibrium will in all probability be destroyed, unless the duties are *all* proportionately raised or lowered; for if they are laid on fresh commodities, or increased on, or taken off, a part of the old ones, the pressure will not continue the same on different persons. If the duty, for instance, on malt liquors be increased, it will be paid only by those who drink malt liquors; while the water-drinkers will go entirely free. But it is not possible to increase the duties on articles of consumption beyond a certain limit, without diminishing, instead of increasing, the revenue derived from them; as well as producing in other respects the most injurious consequences. Every man has some standard in his own mind by which he estimates the value of his enjoyments. This standard is different in different men. But every addition to such duties causes the prices of the articles on which they are placed to exceed in a greater number of instances than before the point which men fix as the limit at which the enjoyment is worth its cost, and thus lessens the consumption of the article, and prevents an additional revenue being raised from it. Neither is it possible to lower them all beyond a certain limit, without occasioning the expense of collection in some of them to be excessive in proportion to the produce of the duties. Hence a great difficulty exists at all times under such a system, in adjusting the revenue to the expenditure; but particularly in increasing it; as well in consequence of the difficulty of selecting commodities which may bear on different classes in the same proportion as the aggregate of the existing taxes, (for this is necessary to preserve the equilibrium,) as in finding new articles suitable for yielding a revenue, and coming under the control and restrictive laws necessary to protect it, without

being at the same time injurious to the public. May we not attribute to this difficulty that, in our own country, the national debt has been suffered to accumulate to so great an amount? One can hardly conceive that our forefathers would have burthened us with debts to such an extent, had the means been apparent to them of suitably providing the increase of revenue which the exigencies of the times required. If it be allowed that this has been the effect in times past, the same system continuing, the like effects must be expected in future; the lamentable consequences of which may, perhaps, when too late to remedy, prove greater than is generally imagined.

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## CHAPTER VIII.

### ON DIRECT TAXATION.

THE observations which have been previously made on the apportionment of taxes, proceeded on the supposition that they be direct in their imposition; that is, laid immediately on the persons or property for whose protection they are to pay, and not on articles of expenditure.

The expense of the protection of property can only be accurately provided for by a tax on property; and the protection of the person, in the same way, can only be exactly provided for by a personal tax. That some equitable principle ought to be acknowledged and referred to, in distributing among the people the burthen of the public contributions, is beyond a doubt; and since in every other than the direct way, difficulty and uncertainty exist, as to whether the tax ultimately falls on those for whom it is intended, and since there is, consequently, always a danger of requiring more from some persons than their fair proportion, there seems hardly an alternative left, in following up a rule of equitable apportionment, besides the adoption of the direct method.

Taxes on property, and on the person, are liable to none of the objections applicable to indirect taxes. The distribution of their pressure may be effected by them with the greatest precision, whether the income be derived from industry or from property, or whatever other circumstances may render a variation in the amount of contribution necessary. They are capable of being increased or diminished from time to time with the utmost accuracy, without additional trouble or expense, and without varying the proportions contributed by different individuals, by merely altering the *per centage* on the existing assessment, as the public exigencies require. The amount to be paid by each person may be certain, the time and manner of payment plain and easily known; they may be levied in the way and at the time most convenient for the contributors to pay. The expenses of management and collection, and the number of officers employed in these taxes, are less than in any other; and they therefore take out of the pockets of the people less than any other over and above what they bring into the treasury; to say nothing of the increased amount which they bring. The laws and regulations necessary for their collection may be few, and the penalties for infraction of them light. They do not in the least obstruct or derange the industry of the people, nor deprive them of sources of profit or of comforts which natural circumstances present. Under such taxes only can industry be entirely free. Under them it would be placed in the most advantageous circumstances in which it is possible to place it, the field of its exertion would be extended, new sources of profit would open, and the whole country becoming, as it were, a free port, would present facilities to every branch of foreign and domestic commerce, and to the acquisition of all the objects of wealth which minister to human pleasure.

These taxes have no effect on prices. By an increase of such taxes the comforts of the people would be abridged; but there the effects would end: none of the parties in business would be enabled thereby to raise their charges; since there would be no greater expense incurred in the production of the articles, and no greater demand for them, than before. But commodities cannot be taxed without raising their prices; since the cost of

production is thereby increased, and the producer would turn to some other employment if he could not advance the price so as to reimburse himself the amount of the duty imposed. Not only is the price of a commodity raised when subjected to taxation, but the price of every manufacture into which this taxed commodity enters, or to which it is necessary, must likewise be proportionately increased, in consequence of the additional cost of manufacture. High prices of goods so occasioned destroy foreign trade in them. Many manufactures might be carried on for the supply of a foreign market without such taxes, which cannot now be done, but which might be with advantage both to individuals and to the country at large. Taxes on property and on the person, as they would not enhance prices, would render a smaller capital in trade equally serviceable with a larger capital under another system. We have already spoken of the advantages which accrue to industry from the employment of capital. These advantages would be augmented by substituting direct for indirect taxation; the capital of the country would go further; a part of it would be set free from its present employment of advancing duties to government, and would be available for direct production. Capital being more abundant, industry would be more effectually aided; commodities would be more plentiful and of better quality, while profits and prices would fall. Under a direct system of taxation, smuggling would be at an end, and the industry both of the smuggler and of the revenue officer would be turned from unproductive to productive labour,—from living on the exertions of others, to increasing the quantity and improving the quality of the productions of nature and art to be consumed by the society. Prosecutions, penalties, and punishments for offences against the revenue laws would nearly cease; for no one could make a business of defrauding the revenue; being concerned only in the taxes paid by himself.

Having noticed the superiority of the direct over the indirect mode of taxation, we must not omit to notice some of the circumstances in which it is inferior, and the inconveniences which attend it.

A tax on earnings is in some degree arbitrary and inquisitorial.

Each person must from time to time render a statement of his earnings or gains ; and if this statement were unsatisfactory, an investigation into his private concerns must be made, which would be painful, and perhaps prejudicial to persons engaged in business. There must also be some penalty in the form of fine or of increased rate of charge on any intentional deficiency which may be discovered in the statement. The only palliative which can be offered, is an oath of secrecy in the persons concerned in the collection and management of the tax ; which, however, cannot always be expected to secure the credit of a man in business from the injurious consequences of a disclosure of his private pecuniary circumstances.

Arbitrary taxes are unquestionably the most grievous to be borne, because, by mismanagement, they may be converted into punishments for political opinions or offences, real or imaginary, or be made the vehicle of private malice on the part of the officers employed in assessing them ; and because, from their arbitrary nature, they are unavoidably unequal in their pressure. " Historians inform us, that one of the chief causes of the destruction of the Roman state, was the alteration which Constantine introduced into the finances, by substituting a universal poll-tax, in lieu of almost all the tithes, customs, and excises, which formerly composed the revenue of the empire. The people, in all the provinces, were so grinded and oppressed by the publicans, that they were glad to take refuge under the conquering arms of the barbarians ; whose dominion, as they had fewer necessities and less art, was found preferable to the refined tyranny of the Romans."\* A tax on earnings, however, is only in a small degree of an arbitrary character ; and when properly assessed, and kept within moderate limits, admits of little exception on this ground.

A tax on property has but little of an inquisitorial character belonging to it, since the real circumstances of individuals are not thereby disclosed. When property is charged wherever it is found, without regard to the owner, (he only being obliged by law to refund the tax to the holder,) there is no disclosure of private circumstances ; because it is impossible to know whether the property really belongs to the person who has it in

\* Hume, Essay 8.

possession, whether it is mortgaged or not, or whether he owns other property besides that in his own occupation. The knowledge of the particular owner of any property is immaterial to the government; since the tax is sure to reach him; and since the expense of its protection is not affected thereby. In the late property tax, a full disclosure of the actual circumstances of a person, whose whole income was under £150 a year, was necessary, in order to enable him to claim the reduced rate of charge. But this disclosure was only called for in consequence of the pressure of the indirect taxes being too heavy on persons of small income. Had their pressure been sufficiently great on larger incomes, there would have been no need for a lower rate of charge on persons of small incomes, and, therefore, no necessity for a disclosure of their private circumstances.

Against direct taxation there is likewise this objection,—that the poor, who ought to contribute their proportion to the expenses of the state, are commonly so unwilling to do so that there would be great difficulty in making them, and, consequently, collecting from them would be expensive. If the taxes to be raised were only those required to defray the current expenses of the government, without a heavy charge for the interest or liquidation of a national debt, the sum wanted from a poor person would be so small that it would not perhaps be difficult to collect it from him. But when the charge for a debt amounts probably to twice as much as the yearly expenses, to be added to them, the amount required of the poor may be larger than their means can easily meet. In such case, the trouble, expense, and painful consequences of enforcing payment from the poor, may equal the inconveniences which accompany taxes on commodities; and this last method of taxation, therefore, may be superior to the other as regards the poor. The evils now spoken of are, however, limited to a certain point, where the difficulty of collecting a direct tax comes within moderate bounds. Let us suppose that this point were ascertained to be established at incomes under £50 a year;\* and that the difficulty of collecting a direct tax from persons whose

\* The average income of a labouring family in England, is stated, on the authority of many hundred returns sent from various quarters, to amount to £41 17s. 8d. Vid. *Progress of the Nation*, p. 114.

earnings were below this sum, exceeded the evils of indirect taxation. In these small incomes, therefore, indirect taxes would be the more preferable mode of assessment, and it would be necessary for the purpose of reaching them, to charge some articles of universal consumption with duties heavy enough to draw from the poor the required contribution. In computing the larger incomes of other persons, the first £50 being already taxed indirectly, a direct tax could only commence at this sum. Thus £100 income could only be charged for £50; £150 for £100; and so for larger amounts. The articles most suitable for taxation in this way would be rather articles of necessity, which could not be dispensed with, than of comfort or luxury.

Once more, if it were thought objectionable or difficult to ascertain the earnings of persons in trades or professions, a still more extensive system of indirect taxation must be resorted to, which should press on all persons with as much weight as though their incomes were all obtained from their own industry; and, for the additional charge beyond this which ought to be borne by revenues derived from property, a tax on property, equal to this additional charge, would equalize in a measure the burthen on each. Notwithstanding, if political considerations do not interpose, and the people can willingly submit to the inconveniences that attend direct taxation, and which are more imaginary than real, it is so greatly superior to indirect taxation, that they must be greatly gainers by such submission.

It will appear on a review of the taxes raised in this country in the early periods of our history, that the public burthens were more equitably distributed in those times than they are at present; and that the taxes have become more unequally distributed, in proportion as the maxims of the commercial system have been adopted, and the indirect taxes increased.

In those early periods, the ordinary revenue of the sovereign consisted almost entirely of the rents and profits of his lands; no regular taxes existing. "The people, when they served in the field, were, by the condition of their feudal tenures, to be maintained either at their own expense or at that of their immediate lords, without bringing any new charge on the sovereign." As property was then almost entirely confined to land and the stock



belonging to it, manufactures and commerce being nearly unknown, or carried on by pedlers and foreign merchants, the personal service of the people, and of the feudal lords attended by their vassals, was a burthen as nearly equal in its pressure as can well be imagined ; for the number of vassals brought by the lords expressed their wealth or the extent of their property. As the burthen would thus be fairly distributed when *all* the people were summoned to the field ; so would it be also when a *proportionate part* of them was summoned ; the lords sending the proportionate part of their vassals, and the people furnishing by lot their contingent. Afterwards, when the lords began to discontinue the practice of maintaining a numerous retinue, it became necessary that a contribution in money should be required, sufficient to hire the number of men which was formerly brought by the lords in person. Henry II., accordingly, and some of his successors, had recourse, on extraordinary occasions, chiefly to scutages, which were a composition by those who held knights' fees, in lieu of the military service to which they were bound : hydage, and talliage, were taxes of the same nature upon other lands, and upon cities and boroughs. Now, as the military service itself was a burthen of an equal pressure on the people ; so a composition for that service, if fairly made, must have been of equal pressure also.

“Subsidies were introduced about the time of Richard II. and Henry IV. They were a tax not immediately imposed upon property, but upon persons in respect of their reputed estates, after the nominal rate of four shillings in the pound for lands, and two shillings and eight-pence for goods.” Now, when the interest of money is at five per cent., land will probably produce about  $3\frac{1}{2}$  per cent. ; and, in that case, a tax of two shillings and eight-pence in the pound on the interest, and of four shillings in the pound on the rent, amounts to the same as a tax of thirteen shillings and four-pence *per cent.* on the *value* of the two. An equal tax on the capital *value* of all property is, therefore, equivalent to the subsidy ; and if the observations before made on the value of property as a criterion for taxation superior to the revenue are correct, there has not existed in England any tax, which, had it been fairly assessed, would have borne more equally on

the *property* of the country than these subsidies. Certainly no tax could be less injurious in its effects. The present land-tax was originally a tax on personal as well as on real property, and is in most parishes at a greater poundage on lands than on houses. It is to be regretted, however, that the charge on personal property is now in most places entirely omitted. The earnings of industry form a most essential part of the revenue of the people, which exceeds by far the revenue arising from property, and are proper subjects of taxation; though no tax on *property* can reach them.

It is to the commercial system that we owe much of the increase of indirect taxation, and the consequent inequality and other evils arising therefrom. It may be hoped, that with the decline of that system, we shall eventually be freed from the system of taxation which it introduced. In France, the direct taxes bear a proportion of about one-half to the whole public revenue; while, in England, the proportion is not three per cent. The French system, in this respect, is, in consequence, superior to the British.

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## CHAPTER IX.

ON THE DISTRIBUTION OF THE EXPENSE OF CONSTRUCTING  
AND MAINTAINING ROADS, BRIDGES, CANALS, HARBOURS,  
LIGHT-HOUSES, AND OTHER GUIDES AND PROTECTIONS TO  
NAVIGATION.

THE construction and maintenance of public roads, bridges, canals, harbours, and light-houses, cannot be more suitably provided for than by a toll on the horses, carriages, or vessels that pass along or use them; for the application of the principle of apportionment is here complete and evident. Where there is any injury done in wear and tear, the toll, or a part of it, should be proportionate to that injury; and where there is no wear,

the toll should be proportionate to the relative benefit derived from the use. On an old road, the wear and tear, could it be ascertained, would be sufficient to fix the toll by; but on bridges, canals, or in harbours, the wear and tear from the use of them by carriages or vessels is altogether inconsiderable; and a toll only equal to these would be insufficient to repay the cost of construction and maintenance. The relative benefit derived from their use is, therefore, the rule by which to compute an appropriate toll. In carriages on a road, the number of wheels, and the weight on them, in proportion to the breadth or surface which rests fairly on the road, vary the injury done. The increase of injury from an increase of weight will follow a greater ratio than the weight, the ratio probably of the squares of the weights. The more rapid motion of a carriage decreases the injury; because the weight resting a shorter time on any part of the road will penetrate to a less depth and do less injury than it would in a longer time. The greater momentum created by the increased velocity can have little effect on a road having a smooth surface, because the momentum acts in the line of motion only, and not perpendicularly.

On this subject, Mr. Babbage gives some interesting information, and which I may be pardoned for quoting.\* “A committee of the House of Commons was appointed to inquire into the tolls proper to be placed on steam carriages; a question, apparently, of difficult solution, and one on which widely different opinions had been formed, if we may judge by the very different rate of tolls imposed upon such carriages by different ‘turnpike trusts.’ The principles on which the committee conducted the inquiry were these. They first endeavoured to ascertain, from competent persons, the effect of the atmosphere alone on deteriorating a well-constructed road. The next step was, to determine the proportion in which the road was injured, by the effect of the horses’ feet compared with that of the wheels. Mr. Macneil, the superintendent under Mr. Telford of the Holyhead roads, was examined, and proposed to estimate the relative injury, from the comparative quantity of iron worn off, from the shoes of the horses, and from the tire of the wheels. From the

\* *Economy of Machinery*, p. 201.

data he possessed respecting the consumption of iron for the tire of the wheels, and for the shoes of the horses, of one of the Birmingham day-coaches, he estimated the wear and tear of roads, arising from the feet of the horses, to be three times as great as that arising from the wheels. Supposing repairs amounting to a hundred pounds to be required on a road travelled over by a fast coach at the rate of ten miles an hour, and the same amount of injury to occur on another road, used only by waggons, moving at the rate of three miles an hour, Mr. Macneil divides the injury in the following proportions :—

Injury arising from	Fast Coach.	Heavy Waggon.
Atmospheric changes . . .	20 . . .	20
Wheels . . . . .	20 . . .	35.5
Horses' feet drawing . . .	60 . . .	44.5
	<hr/> 100	<hr/> 100

“ One of the results of these experiments is, that every coach which travels from London to Birmingham distributes about eleven pounds of wrought iron along the line of road between those two places. The committee agreed that ‘ The only ground on which a fair claim to toll can be made on any public road, is to raise a fund, which, with the strictest economy, shall be just sufficient, first, to repay the expense of its original formation; secondly, to maintain it in good and sufficient repair.’ Supposing it also to be ascertained that the wheels of steam carriages do no more injury to roads than other carriages of equal weight travelling with the same velocity, the committee now possessed the means of approximating to a just rate of toll for steam-carriages.

“ As connected with this subject, and as affording valuable information upon points in which, previous to experiment, widely different opinions had been entertained, the following extract is inserted from Mr. Telford’s Report on the State of the Holyhead and Liverpool Roads. The instrument employed for the comparison was invented by Mr. Macneil; and the road between London and Shrewsbury was selected for the place of experiment.

"The general results, when a waggon weighing 21 cwt. was used on different sorts of roads, are as follows :

	lbs.
1. On well-made pavement, the draught is . . . .	33
2. On a broken stone surface, or old flint road . .	65
3. On a gravel road . . . . .	147
4. On a broken stone road, on a rough pavement foundation . . . . .	46
5. On a broken stone surface, upon a bottoming of concrete, formed of Parker's cement and gravel .	46

"The following statement relates to the force required to draw a coach weighing 18cwt., exclusive of seven passengers, up roads of various inclinations.

Rate of inclination.	Force required at six miles per hour. lbs.	Force at eight miles per hour. lbs.	Force at ten miles per hour. lbs.
1 in 20 . . . .	268 . . . .	296 . . . .	318
1 in 26 . . . .	213 . . . .	219 . . . .	225
1 in 30 . . . .	165 . . . .	196 . . . .	200
1 in 40 . . . .	160 . . . .	166 . . . .	172
1 in 600 . . . .	111 . . . .	120 . . . .	128 "
	<hr/> 917	<hr/> 997	<hr/> 1043
Average . . . .	183½	199½	208½

The draught of a carriage is occasioned partly by the resistance of the atmosphere to its passage through it, and partly by the friction on the axles, but chiefly by the continued effort to raise the wheels out of the depression into which its weight drives them on a surface comparatively soft, and to elevate them over the obstacles which oppose their progress. The friction on the axles is known to be a constant quantity, whatever may be the velocity of the motion, depending on the pressure ; while the resistance of the atmosphere increases in a greater ratio than that velocity. Hence if these allowances are made, the effort required to beat down the surface of the road before the wheels to that level which allows them to pass along, diminishes con-

siderably as the velocity increases. Accordingly, the injury done in this beating down is much greater in a slow motion than in a quick one.

But it may reasonably be doubted, whether the injury done to the road is correctly expressed by the wear of the iron either on the horses' feet, or on the wheels, in cases where the velocity is not alike. The same doubts may also be raised in the case of the injury done by the horses' feet, in comparison with that done by the wheels. The longer the weight is suffered to rest on one spot, the deeper it will sink, and the greater will be the injury done to the road. The crush of the materials is heard under the wheels of a heavy waggon for some time after it has stopped, and appears to extend to some depth in the road. But the wear of the tire is occasioned by the motion of those materials only which come immediately in contact with it. The foot of the horse slides backward in his effort to draw the carriage, and the shoes may be very much worn by this sliding motion, and yet without having much crushed the materials under them. But no such sliding motion happens to the wheels. They come down perpendicularly on the materials and break them without much displacing them, or causing them to rub much on the tire. Besides, we know there is very little wear on a towing path, or in the horses' track in a tram-road, either of which requires but little repairs.

If the advantage derived from the use of the road with a carriage were considered the criterion for regulating a toll, it would be expressed by the saving of expense from what would be necessary to carry the same load on pack-horses. This would be proportionate to the weight, and the same result would be afforded as though the wear and tear were considered the criterion. It does not appear fair to charge a carriage for riding, more than one doing the same injury to the road, but carrying a load of any kind; neither does it appear fair that manure should go free of that amount of charge which may compensate for the expense involved through the destruction of the road. These variations from the natural course have probably arisen from the idea of charging according to the ability of the person to pay, and from a wish to favour agriculture.

Such roads as are not maintained by tolls, or not so entirely, are in general kept up by a rate on the occupiers of land, or on the occupiers of land and houses ; sometimes in labour to be performed, or a composition in lieu of it. Perhaps the burthen of maintaining these roads would be more equally borne by a duty on horses and carriages than by throwing it almost entirely on the occupiers of land ; since the wear and tear are very nearly in proportion to the number of horses and carriages, and those who use the roads most would in such case be made to pay most towards their repairs. It may be thought that by throwing the burthen on the occupiers of land, the public ultimately pay it in the increased price of agricultural produce ; but this is not very evident ; and if it were, the burthen will then fall on all who consume agricultural produce, though some of these persons use the roads a great deal, and others very little or not at all. The expense of keeping up the footpaths would perhaps be equitably distributed by a poll-tax.

A duty on the tonnage of vessels passing along a canal, or navigable river, is a proper mode of providing for the expense of keeping it in a condition for navigation ; because in general the advantage derived from it is proportioned to the weight, in consequence of the saving in the expense of conveyance. But an exception may be made with regard to heavy commodities of small value ; as manures, or earths for the amelioration of land. In these, the advantage may not be equal or proportionate to the reduction in the charge for what would have been the conveyance by land ; because the expense of land carriage might perhaps have exceeded the benefit from their use, and without such navigation, they could not have been transported with profit. If, therefore, a toll be imposed on such articles equal to any injury that may be occasioned by their passage, with some trifling contribution towards the original outlay in the formation, it is sufficient : for it were vain to endeavour to impose a greater toll ; which would only stop their transport altogether, and thus prevent individuals from reaping the advantage derived from their use, without benefiting the funds of the navigation.

Harbours, light-houses, beacons, and other guides and protections to navigation, are properly supported by duties on the

tonnage or value of the ships and cargoes which use or pass by them ; for the advantage arises from the diminution of risk, and is proportioned to the value of the property subjected to risk. If it were not a tonnage duty, perhaps something should be demanded for the number of persons on board, in consequence of the greater personal security afforded them. Packet boats and other vessels conveying passengers ought certainly to contribute in common with vessels carrying goods.

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## CHAPTER X.

### ON THE DISTRIBUTION OF THE EXPENSES OF PUBLIC INSTITUTIONS FOR EDUCATION, RELIGIOUS WORSHIP, AND THE SUPPORT OF THE POOR.

WITH regard to the distribution of the expenses which are here mentioned, our rule of apportionment altogether fails : not, however, from its inapplicability in ordinary cases, but from the peculiar character of the objects of such institutions. We cannot distribute these expenses according to the services rendered, for then such institutions would maintain themselves, and cease to be a burthen on the public funds. Neither can we distribute them according to the benefits derived ; for, to a great majority of the people, there are, strictly speaking, no services rendered and no benefit derived from these institutions. As far as regards education, it is the poor only who derive benefit : to the rich, there are no services or benefits afforded. It is the same with the relief and support of the poor : those only are relieved who are in distress ; and no benefit accrues to any one else. With regard to religion, the services rendered are to those persons only who attend the public worship or ministrations of the religion supported by the state ; and, amongst those who attend, it is impossible to compute the advantage derived ; since one person may be reclaimed thereby from vicious courses, and



another, equally constant in attendance, may be wholly unimproved; and though in some instances there is an evident advantage, yet it is impossible to compute it in money. To the dissenter, in particular, there are no services or benefits of any kind afforded. Yet is he required to contribute equally with others; though the duty of government is to protect the interests of all its subjects alike, and not to suffer one part to be oppressed by the domination of another. He is compelled to maintain a church the doctrines and discipline of which he disallows; a church whose ministers publicly inveigh against his opinions and practices; while many of them impugn his motives, and hold up his conduct as deserving of reprobation or contempt. It is hard for a man to be made to pay for preaching against doctrines which in his conscience he believes to be true, and which he thinks it meritorious to disseminate.

The expenses of these institutions are incurred for the attainment of objects in their nature essentially different from those which we have been before considering. These objects are of a charitable and pious character, prompted by the benevolent feelings of the heart, and by considerations of duty and obligation to the Supreme Being; and it might have been imagined that the manner and extent of the contribution towards them would naturally have been left to the influence of these benevolent feelings and these considerations of duty and obligation; since charity and duty disappear where compulsion is brought into action. The institution of government has for its chief object to combine the separate forces of individuals in one operation for the attainment of ends to which force is necessary; and in which combined exertion is more effectual than the single and isolated efforts of individuals would be: it has its origin in views of temporal interest and advantage: these are easily and naturally measured by things of the same nature,—by money, or money's worth. But how shall we measure by such things duty and obligation, or benevolence and charity? Or, how shall we use force to attain ends which the very use of force frustrates? Doubtless, it is the duty of every person to contribute to pious and benevolent objects: but it is a duty which he owes, not as a citizen, but as a man; and which is due, not to his country, but

to God and to himself. Nor does it thence follow that we ought to compel him to perform this duty. He ought, again, to contribute in proportion to his duty ; in proportion to the favours he has received from God ; and in proportion to the means he has of returning them in substantive acts of gratitude. It seems difficult, however, to measure these favours by money. But if they must be so measured, perhaps, the ability to contribute would be a suitable principle of distribution ; since a man's duty must be proportioned to his means, and cannot extend beyond them.

Before, however, we can look for an apportionment of the expenses of pious and charitable institutions on principles of justice, we must be assured that the objects they have in view come within the legitimate bounds of civil authority, so that society possesses a right to enforce the payment of their expenses ; as, likewise, that these objects are really promoted by the interference of legislative authority. Without assurance on both these points, we cannot look for an apportionment of the burthen according to the principles of justice ; but merely for a distribution of the burthen of usurped power with as much equality as may be ; so that it may be borne as easily, and do as little mischief as possible.

We cannot overlook the fact that pious and charitable institutions become changed in their nature when made compulsory ; and that the better part of charity and benevolence is by this means lost ; viz. the improvement of the contributors by the exercise of these virtues. If hallowed institutions must be thus profaned by the hand of power, we ought to regard them in the light of secular institutions, founded on interested motives ; and the benefit which they confer, if any, must be taken to be the criterion for the distribution of their expenses. This benefit must then be considered, not so much the instruction or improvement of the individual himself who is called upon to contribute, as the instruction and improvement of other members of the society ; with the view of promoting order, morality, obedience to the laws, of repressing crime, and improving society ; so that the public security may be made more perfect, and protection afforded at a less expense. We need, therefore, no longer

look for the measure of charity, duty, or obligation; nor need we compute in money the benefit of the personal instruction or conversion and improvement of the individual himself. If these institutions be taken in this light, the benefits derived from them must be somewhat proportionate to those derived from the other services of government, and their expenses might, perhaps, be defrayed from the same funds.

The injurious tendency of the poor laws, as they have been administered, has been sufficiently shown by others. But while we cannot go the length of an eminent writer on the subject, "that no scheme for their amendment deserves the least attention which has not their abolition for its ultimate object," yet it must be confessed that, as lately administered, to distribute their burthen so as to render it more easy to be borne, could only have had the effect of extending and perpetuating their mischief. The right of property is, however, in every instance limited by the right which extreme necessity confers. A man who is in danger of drowning has a right to seize on the first boat or plank he can lay his hand on. So we may have a right to pull down a neighbour's house to stop the progress of a fire. Upon the same principle, a man who is in danger of perishing with cold or hunger has a right to the first food, or clothing, or lodging that is within his reach. So far, then, as extreme necessity may go, and which principles of justice authorize the poor to demand, these same principles may, doubtless, be applied to distribute the burthen on the people; but further than this, as there is no justice in the demand, so there can be none in the distribution of its burthen.

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#### ON THE PROVISION FOR A PUBLIC DEBT.

THE observations which have been now made on the distribution of taxation have had reference to the current disbursements of an existing government, in effecting the proper objects of its institution; not to the expenses which have been incurred by a

government at some former period. But most of the European states are burthened with a heavy national debt, and the payment of the interest and principal of such debt usually forms a large portion of the charge on their public revenue. Now, when a debt has been accumulated and allowed to remain for a long series of years unliquidated, the persons for whom the services which occasioned the debt were rendered do not remain to discharge it, and, consequently, other parties must be called upon to pay it. But the generations which succeed may not have derived benefit from these services ; or if they have, there are few of the individuals that at any time compose it whose benefit from them is proportioned to the taxes which they are made to pay towards that debt. Since, then, the individuals no longer continue for whose benefit the expenses were incurred, and since they have failed to discharge them, as they ought to have done, the question arises in what manner such expenses should be apportioned among the existing members of the community. Doubtless the debt must be paid, and the public faith kept inviolate ; but the difficulty lies in fixing on the proper parties who should pay it, and on the proportions in which they ought respectively to contribute, so as to meet the case in a just and equitable manner. This difficulty is so great, in consequence of the nonexistence of the individuals who ought to have paid the debt, that it seems impossible to surmount it, and the endeavour to make an equitable apportionment of the burthen must be abandoned.

We may, therefore, consider that the mode of contributing to a public debt should be the same as that for the support of the *general* administration of government, and which has been already pointed out. The occasion of a debt is commonly war ; though incurring debts has not always been confined to periods of warfare. The expense of the internal administration is comparatively small ; and can vary but little from year to year ; and an adequate revenue being once provided for it, a permanent debt of any magnitude can scarcely arise from an occasional deficiency in this revenue. It is the general administration that calls for extraordinary sums for defraying the expenses of war, and the defence of its territories. The security, too, which is

given for the repayment of a debt is a claim on the general revenue of the state, or parts of it ; not on any local revenue, or on that raised for specific purposes. We must, therefore, conclude that the distribution of the burthen of a public debt should follow the same rules as that of the expense of the general administration of government.

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## CHAPTER XI.

### ON PUBLIC DEBTS.

IT was the practice of the ancient nations, as it still is amongst the less civilized of the modern, to hoard up treasures during peace as provision for the necessities of war, and as instruments either of conquest or defence ; without trusting to extraordinary impositions, much less to borrowing, in times of disorder and confusion. The modern expedient, on the contrary, in almost all civilized states, has been to borrow in times of emergency on the mortgage of the public revenues, leaving to posterity to pay off the encumbrances. And posterity, following the same example, trust to a future posterity to do the same ; who, at last, from necessity more than choice, are obliged to place the same confidence in generations yet to come. The Italian republics first adopted the practice of creating debts. Spain seems to have learned it from them. That country was deeply in debt before the end of the 16th century,—about a hundred years before England ever owed a farthing.

The magnitude of the consequences resulting from public debts warrants some remarks on the justice and policy of creating them. Unquestionably, events sometimes occur which justify a nation in incurring a debt, to be paid off at a future and more convenient opportunity. The wisdom of any public expense must be judged of by the occasion on which it is made, and public profit or loss from any adventure must be measured

by the return which it brings, whether adequate or inadequate to its cost. An expense which is either uncalled for, or which does not bring a proper return, cannot but be a public loss. On the other hand, an expense which is necessary to public safety, or which brings an overbalance of gain, must be sound policy. But though it were wisdom to incur an extraordinary expense for the attainment of an object which is proper and commensurate with its cost, yet it is quite a different thing to affirm, that it is wise or just to burthen posterity with the payment of it; when, perhaps, the benefit may be only temporary, and one in which posterity does not share. The continual practice exhibited by many governments of funding, under prosperous as well as adverse circumstances, and for objects which are merely temporary, cannot be sufficiently reprobated.

Public debts are created by the government borrowing money of individuals for the public service, on the mortgage of its future revenue, in consequence of the inadequacy of its existing revenue to meet the charges on it. The debt is incurred by the government, acting in behalf of the persons composing the public at the time, for payment of services rendered to them in the general defence of the state and the support of government, and is not in general for any *particular* purpose. Nor is the deficiency of the revenue which called for borrowing, a deficiency in any particular branch, but a general deficiency below the expenditure. The services were for the benefit of the persons composing the public at the time, and the deficiency in the revenue arose from an inadequate contribution of these persons. They ought to have contributed more; and not having done so, they are in arrear of their taxes to the amount of the debt created; for the services were for *their* benefit, and not having been completely paid for, they still remain due *from them*. The expense of the ordinary defence and support of the state cannot properly be imposed upon posterity. Posterity must defend themselves and support their own government, as we do ours before them. Had we neglected to secure our civil liberty, and had our children been born in a state of slavery, they would nevertheless have had a right to freedom, though not in the actual possession of it; freedom being an essential attribute of

man as an accountable creature, which cannot justly be taken from him, unless he violate the laws of nature, so as that his freedom becomes incompatible with the freedom of other men. But it is the duty of parents to place their children in circumstances in which they may be free to perform the duties incumbent on them, as well as have a right to freedom ; and we cannot expect them to pay us for doing what was our duty to do. We might as well expect them to pay for our care and support of them during their childhood. If the taxes which were in being at the creation or increase of a debt, were imposed in such a manner as to bear on the people in the proportion of their respective interest in the measures which occasioned an increase of debt, they ought to have been at that time all increased in the same proportion ; or if new taxes had been imposed, they ought to have been such as should have borne on different persons in the same proportion as the aggregate of the taxes then bore ; for the debt being due from the persons paying taxes at the time it was created, is due in the proportions one to another as were their respective contributions at the time. A public debt, then, is to be regarded in the nature of an encumbrance, or mortgage, on the property and industry of the country, which is held by the fundholders for money advanced by them, in consequence of the non-payment of a sufficient amount of taxes, and which is still due as an arrear from the people who paid taxes at the time it was created.

If the public revenue of Great Britain be stated at 50 millions, and her debt at 700 millions, then is every British subject indebted to the public creditors in a sum equal to an arrear of fourteen years of the taxes he ordinarily pays, and, therefore, he is not in reality worth much more than one half of the property he ostensibly possesses. This liberty, however, we give him, in consequence of not enforcing payment of this arrear as it became due, that if he die or emigrate to a foreign land, he may escape its payment, and throw the burthen of his share on his fellow-subjects. It would be equitable to suffer no one to emigrate without first paying the portion of the national debt which belongs to him. Again, it would be fair, when a man is observed to be squandering away his property, to compel him first to

pay this portion ; for he can have no right to spend on his own personal gratification what he owes to the public.

It is probable that the apathy with which the people have beheld the gradual increase of the national debt, has arisen from the false notions which have prevailed regarding its nature and effects. It is of importance, therefore, that a clear apprehension of the real nature of a public debt should be obtained, before conclusions are drawn as to its effects on society.

By some persons, the paradoxical opinion has been entertained, that a public debt is by so much an addition to the capital and wealth of a country. Whence it has been conceived that a superabundance of capital would be occasioned should the debt be ever paid off ; as also that for the government to buy it up would be to accumulate a treasure ; as was stated by a late British Chancellor of the Exchequer in his plan of finance in 1813. The following is the account of this wonderful discovery, as given in the outlines of the plan of finance which were published. " The principal advantage of the proposed plan in time of peace, would be the facility of keeping in reserve a large sum, (suppose £100,000,000,) as a resource in the case of a renewal of hostilities. This fund, which would be formed in a few years by the redeemed stock standing in the name of the Commissioners, would be continually increasing, unless checked in the manner above mentioned ; and in no case should be reduced below such a sum as may be thought amply sufficient to support the confidence of the country at home, and maintain its dignity abroad. It would, indeed, be such a treasure as no other country has ever possessed, and the first example of an immense accumulation of public property, formed without the impoverishment of any individual, or any embarrassment of the general circulation." To argue gravely against the position that a public debt forms an addition to the capital of a country, would have been only next in absurdity to the position itself, were it not that it has been patronized by great ministers and a great party among us ; the finances of our country have been managed under this impression, and enormous losses sustained thereby. Dr. Hamilton remarks, " So soon as any stock is purchased by the Commissioners, and stands invested in their name, a like



amount of the public debt is in fact discharged. Whether a parliamentary declaration to that effect be made or not, is only a matter of form. If the stock remain vested in the name of the Commissioners, no doubt it may be transferred again to purchasers in the stock-exchange when war breaks out anew, and money may be raised for the public in this manner. But this is in every respect a new loan. It is an application to the public to invest their capital in the purchase of this dormant stock. The capitalists must be possessed of the sum wanted; and they will not part with it, except upon terms from which they derive a profit. They would do this with equal readiness, if a loan were proposed to them in the ordinary form." No one imagines that the property of private individuals can be increased by their spending more than their incomes; omitting to pay their debts, and giving bills or a mortgage on their estates for the amount; for the mortgage, and the estate subject to its encumbrance, must together be of the same value as the estate alone previous to the mortgage. If the bills or mortgages are a capital to those who hold them, they are in the same degree a deduction from the capital of those by whom they are to be paid: they are a mere paper capital; an acknowledgment of debt, which though not a visible diminution of capital, is, nevertheless, not a less real reduction from it. Now the capital of a country is the collected sum, *plus* and *minus*, of the capitals of its inhabitants; and if its public debt be reckoned a capital to the fundholder, it is an abstraction from the capital of the people; to reckon it otherwise would be to count it twice over; and whatever be the amount of this debt, if it be wholly possessed by persons of the same country, the capital of the nation is neither increased nor diminished by it. It would be no greater were the debt at once doubled in amount, nor would it be lessened were the debt completely paid off. If, then, a public debt be not a capital, to pay it off at once could not create a superabundance of capital, unless the means of payment be drawn from an exterior source. If sufficient capital for such purpose were drawn from some exterior source, there would equally be a superabundance of it, whether the government applied it in discharge of the debt, or in some productive way

If the funds to pay off the debt were drawn from the community at large, this would be a mere settlement of account between the *general* members of the society and the *particular* members who held claims on it. The general members can only give to the particular members the capital which they have already in possession, and the transfer of property from one to another, and cancelling of acknowledgments, cannot create a substantive capital. A *gradual* payment, however, of a public debt would force the people to save from revenue and accumulate into capital, thereby increasing the property of the country, as has been shown in another place. For the government to buy up the debt and consider it a treasure, is like the merchant who, instead of destroying the old bills he may have accepted and paid, should hoard them up, and look upon them as an addition to his wealth. The credit and circumstances both of the merchant and of the government would be equally affected by reissuing old bills or reselling old debts, as by creating new ones.

Though a public debt does not, when held exclusively by the inhabitants of the country which has incurred the debt, either add to or diminish the capital of that country, yet if a part of this debt be held by foreigners, the whole national property may be expected to be by that sum less in amount. For the money borrowed has been expended by government in the current expenses, without creating any property, or occasioning any permanent benefit in return, and every future advantage from it is therefore gone; while the property and industry of the country have been encumbered with the payment of a portion of its annual produce to foreigners. Before the debt was created, the whole produce of the national property and industry was enjoyed by the people and spent within the country, but now a portion of it must be sent abroad to pay the interest of the debt. The property of the country has not been increased (except in a very small degree) by withholding a demand of taxes for the whole sum necessary to pay the expenses of government. After payment of the taxes demanded, the people usually spend the whole of the income which is left to them. If these taxes were more, they would spend less: if the taxes were less, they would spend more. It is only those who were accumulating at

the time who have abstained from spending that which ought to have been paid in taxes, and who have thus been enabled to accumulate more than they otherwise would have done. If all the money necessary for the service of the state had been raised in taxes at the time wanted, instead of borrowing of foreigners, the aversion which mankind in general have to becoming poorer, (which is much more powerful than the desire of becoming richer,) would have stimulated them to such exertions of industry or economy, as would in all probability have prevented this encumbrance on their property and industry from being created. Indeed, in most cases, an imperative necessity, from the impossibility of borrowing or of selling a small portion of their property, would have forced the people to make exertions or sacrifices which have now been avoided; and which would have preserved their fortunes unimpaired. But when all the taxes necessary for the public service are not raised at the time wanted, and the government creates or increases a public debt, the people continue to spend, as before, the sum remaining in their hands, after payment of the taxes actually demanded, not considering that these are not the whole which ought to be paid; that thereby their real expenditure exceeds their income, for the expenditure of government must be accounted a part of every man's expenditure who has to contribute to it; and that their circumstances are insidiously and imperceptibly becoming undermined. In following years, the people have to pay, not only the expenses of those years, but the arrears of former years, either all at once, or during a series of years, for interest and principal of the money borrowed to pay those arrears. The public at large are not aware of an actual excess in their expenditure; they are given the ability to waste their fortunes; while a difficulty often exists of investing in other property the saving which ought to take place. From these and other causes, the same exertions are not made to curtail expenses and retrieve the real, though unapparent excess of expenditure above the income, which in other circumstances would have taken place. In consequence, they become burthened with a public debt; which is a diminution from every man's property of as much as his share would amount to if it were required to be all paid off

at once ; and foreigners who owe no allegiance, and contribute nothing to the support of the state, are thus enabled imperceptibly to acquire a title to a portion of the returns of our industry and property. The man who would secure his circumstances from deterioration, ought to possess himself of a part of every new loan which is raised.

But the great evil of allowing the public expenses to exceed the public revenue consists in the destruction of capital thereby occasioned. The savings which at any time are made by individuals and borrowed of them by the government, are accumulated previous to the government borrowing them, and would be equally accumulated if the government did not want to borrow. The government, then, has nothing to do with the accumulation ; but only with the spending. If the government had not borrowed and spent the money, it would have been devoted to increase the substantial property of the country, or, in the shape of capital, would have remained in its accumulated state, and been employed by some one or other to germinate and yield in a productive way a future crop to add to the revenue of the owners, and to that of the community. But now that the government has borrowed and spent it in a way that has produced no one article of property, or will bring in any future return, the capital is irretrievably lost ; it is gone for ever ; and with it, the means which then existed of increasing the future resources of the country. The individuals, indeed, who lent the money to the government have a nominal capital, but it is nominal only : interest is allowed them for it ; which interest, however, must be paid, not from the returns of the capital, for the capital is destroyed, and there are no returns, but with a portion of the revenue derived from other sources ; and the people are as much the poorer, as the amount of interest and principal they have to pay.

Besides the idea of an increase of capital, and of wealth, to a country, by creating or increasing a public debt, it has been thought that many advantages accrue from such a debt. We shall, therefore, enumerate some of the circumstances in which the advocates of the funding system have asserted it to be

beneficial, and show in what manner it is entitled to be so considered.

Reasoning from analogy with the effect which an encumbrance on the estate of a private family has on its circumstances and happiness, the position of an advantage from a debt to a public society appears absurd. We see what pain is occasioned to private families from a course of extravagance long persisted in; and the same injurious consequences must be expected to follow from a long course of extravagance in a nation; which is but a family of a larger growth.

Many persons have considered a public debt as beneficial to a country, from the facility which it affords, with little trouble and expense, for the investment of capital; in particular for short periods, and in small portions; its immediate production of revenue, in consequence, with the power of obtaining the principal again whenever it may be wanted, and the advantage that persons, especially those in trade, have thus offered to them, enabling them to trade on smaller profits, and thus cheapening commodities to the consumers. Doubtless this is an advantage which a public debt confers, in common with Bank stock, India bonds, canal, harbour, or rail-road shares, and other securities. This facility, however, is not a quality so eminently belonging to it from its peculiar nature, as may at first be considered,—belonging also to the stocks above named, in common with it; but in part consists in a *relative* superiority over some other descriptions of property, in consequence of the difficulty and expense attending their transfer, through the formalities and duties that the law has imposed, but from which the transfer of stock is exempt. Where, for instance, would be the great facility in investing small savings or floating capital in the funds, if the same forms and expenses were imposed on their transfer which the law requires for that of freehold property? A small saving which the poor man may now invest in the funds at an expense of one shilling, if expended in the purchase of a plot of land for a garden, or to build a cottage on, would require an expense to make a title to it, equal to or more than the value of the fee simple of the land itself. But the advantage to be derived

by the poor man from being owner of the land, would be greatly superior to that accruing to him from the half-yearly dividend on its value in the funds. The land, however, would be almost valueless to the generality of purchasers, when again offered for sale, on account of the expense required to transfer a title to it. Should, at any future time, the forms of conveyance now required for real property be much simplified, and the duties to government taken off, the pre-eminent advantages of a national debt for the investment of small savings and floating capital, would in great part disappear, and be confined merely to those qualities which essentially belong to it, of always possessing a certainty in its *market* value, and of being divisible in any required degree. Even these qualities, however, might belong in an equal degree to mortgages on estates, if registered and made transferable. At present, no one invests money in real property unless there be a probability that the money will not be wanted for a considerable time; because in case of being obliged to sell at an early period, it must be expected that the expense of conveyance at least will be lost. But if this expense were reduced to the mere charge for writing and registering the instrument, real property would be much more marketable; would be more certain in its market value; and, on these accounts, would immediately rise in price; while funded property, losing a part of its comparative advantage, would in a slight degree lose in its relative value.

It must, however, be admitted, that a public debt does in a certain degree benefit some classes of society by the facility it offers for the investment of money, and the ease with which the money may be sold out at any moment at which it may be wanted. But the office of government is to preserve the rights of individuals and of the community; not to make the interests of one class subservient to the advancement of the interests of another class. Now the plain and straightforward course which the circumstances of the case point out, is to raise at once the supplies necessary to meet the public expenditure by additional taxes on the people. In deviating from this natural course, and in lieu of it mortgaging a future revenue, it seems incumbent that urgent grounds of necessity or expediency should exist to

warrant such deviation. It is not sufficient, in justification, to say that it will be beneficial by offering a facility to the investment of savings and floating capital; for this would benefit only certain persons or classes at the expense of the rest. For, to many it would be their interest to pay the expense at once, rather than encumber their future resources, and especially, as many persons who ought to bear a share of that expense will not remain, or have always the ability to pay their portion of it. Every entailed estate, every life interest, or other alienation for a term of years, is granted on the condition, express or implied, of preserving and maintaining the property during the period; and of course of paying the whole expense thereby occasioned, whether in taxes for its protection, or repairs for upholding it. Nevertheless, if, during the period, the public debt be increased, the property, when it reverts back to the original owner, or into that channel which he has pointed out, returns, in effect, with an arrear of taxes on it unpaid. Every lease, too, which is granted with the condition of paying all taxes, is similarly circumstanced. In these cases the grantor, lessor, or reversioner, is deprived by government of a part of his just rights, and the holder of the lease or life interest is benefited at his expense. Again, not only is the increase of a debt to be deprecated from these acts of injustice which it occasions, but another evil attends it,—that it cannot be paid off but with a repetition of the like acts of injustice; though they then fall in a contrary direction, on the opposite classes to those before mentioned. To incur or increase a public debt, therefore, is not a procedure that may or may not be adopted from views of political expediency, being unjust and oppressive to a part of the people, and opposed to the very ends of government,—the protection of the rights of all. How many are the fences and guards with which the law has encircled the rights of private property; and how often is it on that account admired and applauded! But to incur or increase a public debt, is secretly and insidiously to undermine private property, and alienate it to others; and can be vindicated only by unavoidable circumstances of imperious necessity.

The advocates for a public debt further adduce the advantages

thereby derived to society by effecting a great distribution of wealth. No one can doubt the advantage of such distribution. But a distribution of property is not effected by a public debt in consequence of any peculiarities in its nature different from other descriptions of property, but because a facility attends its transfer which is denied to real property, and a law of inheritance applies to it different from, and more accordant with, nature, than that which regulates the descent of real property;—dividing it equally among the descendants, instead of confining it to one only. It is the law, therefore, which prevents real property from diffusing wealth, and not the nature of things that has made a public debt peculiarly suitable for that purpose. Alter these laws, and put both these descriptions of property under the same regulations, and but little superiority in the diffusion of wealth will be found in the one description over the other.

The distribution of wealth which under present circumstances takes place by means of a national debt, is, however, destitute of the greatest of all the advantages derived from the distribution of property; which is; its improvement. The purchaser of funded property cannot in any way improve it. But when real property is bought, in the greater number of instances, some improvement or other is begun by the new proprietor. “It seldom happens that a great proprietor is a great improver. Compare the present condition of the great estates which have continued without interruption in the hands of the same family since the times of feudal anarchy, with the possessions of the small proprietors in their neighbourhood, and you will require no other argument to convince you how unfavourable such extensive property is to improvement.” “The ordinary revolutions of war and government easily dry up the sources of that wealth which arises from commerce only. That which arises from the solid improvements of agriculture, is much more durable, and cannot be destroyed but by those more violent convulsions occasioned by the depredations of hostile and barbarous nations continued for a century or two together.”

Though, however, a public debt is not in itself better calculated to distribute wealth than other descriptions of property,



yet its increase is eminently calculated for this purpose. When the government continues a long course of improvidence in exceeding the income appropriated to the public service, the people, in consequence, in general spend more than their real incomes. From omitting to demand the increase of taxes really necessary, the scale of expenditure to which the people have been accustomed is continued, instead of those temporary sacrifices being made which ought, and which otherwise would be made. The excess of expenditure of the government above its income, during the increase of a debt, unchecked by the reduction which ought to take place for the time in the private expenditure of the people, makes the whole expenditure of the country for the time exceed its income. There is a consumption of capital going on ; the interest of money rises, and the profits of trade increase. This augmentation of interest and profits occasions monied men and persons in business to grow rich, who are thus enabled to lend to government the money which its measures have been in part the means of creating. Profits continually increase as the expenditure is increased, and afford as ample a supply of money as the government requires. But this increase of interest and profits is raising one class at the expense of another ; while, by the creation of a debt, a permanent encumbrance is laid upon the future produce of the property and industry of the people. A new race of proprietors appears in the fundholders ; but the greatness of ancient and established families is silently and imperceptibly lowered, and their wealth in part distributed to others. In this progress of change, we cannot but anticipate that in a few generations, " the posterity of those now in the coaches, and of those upon the boxes, will probably change places."

It cannot, however, be imagined that a distribution of wealth effected in this way can be beneficial. Wealth can be only valuable as it is subservient to enjoyment, and to set up a new class in society, by in part pulling down the old ones, will certainly not increase the sum of happiness among the people ; but the reverse. To constitute happiness, as far as pecuniary circumstances are concerned, it is necessary that they be, if not progressive, at least not declining : our happiness being not so

much dependent on our actual as our relative condition, with regard to former circumstances, to present prospects, and to the circumstances of those around us. By an increase of debt, the circumstances of the people in general become, not only permanently worse in themselves from the increased burthen of the debt, but also relatively worse as regards the circumstances of certain classes among them who have risen in consequence of the advance of interest and profits. And hence, greater exertions are necessary to retain the *relative* than even the actual place in society they have been accustomed to occupy. To lower the pride of ancient families might, possibly, in the fifteenth century, have been an object deserving a statesman's attention, when the means of reducing the powerful barons were sought for. But now that the power of the aristocracy is so little to be dreaded, and when the maintenance of the British constitution is said to require its support, such a course is rather to be avoided than followed.

The effects produced by the increase of expenditure are temporary, and continue only with the progress of the debt. When it ceases, and the ordinary course of expenditure is returned to, a revulsion is produced. The habits, the pursuits, and expectations of the people, which had grown up and accommodated themselves to an increased scale of government expenditure, become deranged; a diminution of employment in many branches of industry reduces wages, though, under the heavier pressure of taxes, a rise, instead of a fall, is necessary to keep up the condition before enjoyed. The interest of money, profits, and prices fall below their natural level. Undertakings become hazardous, a want of confidence is produced, and many fall victims to the alterations thus occasioned. But, after the effects of these changes cease, and things return to their ordinary channels, a heavy public debt occasions no increase of industry; people find themselves under the same circumstances as they have for years been accustomed to, and make no extraordinary efforts to improve them. No distribution of wealth takes place beyond what would be produced without the debt, except as occasioned by its being subject to a different law of

succession, and being free from difficulty and expense in its transfer and sale.

A national debt is said to be a support to government, by binding the public creditors firmly on its side, and causing them to be its zealous supporters, through a feeling of common interest. Admitting this to be the case, it is, on the other hand, equally obvious, that the sort of support which a government may obtain in this way, proceeding as it does on nothing but pecuniary interest, may attach equally to it, whether its measures be good or bad; and hence, there is the same chance that the support so acquired may prove an injury instead of a benefit to the community. But this same debt, while it gains friends in one class, loses friends and raises up enemies in another and more numerous class. The motive is the same on both sides,—private interest; the friends, however, which it loses are more in number than those which it gains; and it may be added, too, urged on by a stronger motive, inasmuch as hatred is more powerful than friendship.

But if public debts were advantageous to a state, ought there to be no bounds set to their progress? Suppose the public revenue to be so deeply mortgaged as not to leave sufficient for carrying on the necessary public services of the government; and suppose the taxes to be raised to the utmost which the nation can bear; and suppose again that the invention of man can find no new imposition which may serve as the foundation of a new loan; and the inevitable result must be, either that the nation must destroy the debt, or the debt destroy the nation. The property of the country being entirely absorbed, the landed gentry will have disappeared, and the only persons possessing property will be the fundholders. In this state of things, no other resources for defending the public interests can be obtained, than from a continual taxation of the annuitants, or, which is the same thing, from mortgaging anew, on every exigency, a part of their annuities, and thus making them contribute to their own protection, and to that of the nation.

It is a question which is open to discussion, whether the state has an unlimited right to burthen posterity with an intermin-

able debt. If the practice of funding had been adopted at an earlier period of our history, we should now have been loaded with debts incurred by the Plantagenets, the Tudors, and the Stuarts, as well as by William III. and the House of Hanover. But without entering into such a question, it is sufficiently obvious, that there are persons on whom it can scarcely be conceived to be just to impose the burthen of the interest and principal of a public debt. The laws of nature enjoin on every parent, as far as his ability extends, the maintenance of his own offspring, with such assistance as may enable them to procure for themselves an honest and comfortable subsistence. But where that maintenance has been barely equal to the support of the child's existence, and no assistance given in enabling him to procure a subsistence for himself, it cannot be said that a child, in such circumstances, has derived an advantage from his parent, so as to entitle a creditor to expect from him the payment of his parent's debts. No law that is founded in justice, could, between man and man, require such payment. Yet to incur or increase a public debt, is to burthen posterity with the payment of expenses not incurred by themselves, but by their forefathers; and for services from which many persons hereafter will derive no benefit. These expenses are incurred in protecting our persons and property; our persons die; our property is in great part perishable, and such as is not, will never, from many of us, descend to our children; and, therefore, will not carry with it an obligation on them to pay our debts. If a man who has inherited nothing is to be bound to pay the debts of preceding generations, where, it may be asked, is the claim to stop? Is it limited to any given fraction of the produce of labour; or does it extend even to the whole; and thus a man may be born, in effect, a slave? Where property descends, it is otherwise; and no unfairness can exist in compelling payment from the heir of arrears of taxes which ought to have been borne by the ancestors from whom he inherits (as far as the property will go); and which, had they been so borne, would probably have lessened the property which has descended to him. But private property is perpetually increasing or diminishing, and shifting hands from one person to another. The circum-

stances of individuals are continually varying; so that the actual sum which ought to have been paid by the parent, will scarcely ever be paid by the child; but will be either more or less. Whence circumstances arise of such intricacy that it is impossible, when a debt has been some time incurred, to point out the persons who should contribute to its payment; much more the proportions which should be required of them; and thus, whatever might be the justice or expediency of such an inquiry, it must be abandoned as hopeless. The creditor, however, who has lent his money to the state, on the faith of public honour, ought not to suffer by this difficulty which the government may find in ascertaining the persons from whom the debt is properly due. The creditor has given, and the debtor has received, expended, and profited from what both parties considered an equivalent to the claim. This difficulty, however, may well be used as an argument against incurring future debts of interminable obligation.

In this view, we cannot but regret that our debt had not been borrowed, as in France, chiefly on terminable, instead of on perpetual annuities. To an individual, or even to a family, an annuity for a hundred years is of nearly the same value as one which is perpetual; but to a nation it is different. The supposed extent of its existence calls for a policy of a larger and more extended kind, calculated for a longer duration. Had the debt been borrowed on terminable annuities of fifty or a hundred years, instead of on interminable annuities, a large portion of the debt would by this time have expired, and the remainder would have advanced considerably towards a termination.

Though the good supposed to be derived from a public debt is in any case problematical, the evils attendant upon it are quite the reverse; and as an opposite opinion has been held and acted upon, it may be worth while to state some of the mischiefs which flow from it.

Whatever may be the benefits of the funding system, it cannot be doubted that the facility which it affords for raising supplies has often betrayed governments into acts of rashness and extravagance. If the full burthen of hostilities must be borne during their continuance, they would be less wantonly

undertaken, and more speedily concluded. The people would less frequently call for war ; and sooner grow weary of it, when there was no real or solid interest to fight for. In mortgaging the public revenues, the resources of the state are taken away, and new, vexatious, and oppressive taxes must be resorted to. In this way, the character of governments has been lowered ; they have been rendered unpopular at home, and enfeebled abroad, in their transactions of war or negotiation with other states. The burthen and vexation of taxes are among the greatest and most constantly operating sources of unpopularity in a government. Its unpopularity is prejudicial to the state, from its inducing the hazard of disturbing the public tranquillity and security, as well as from its leading the people to neglect supporting its authority, or even to raise up an opposition to the performance of its duties. Whence, a larger military and civil force must be employed, and additional expense incurred. But taxes cannot be carried beyond a certain limit, without becoming, not merely vexatious, but ruinous to the people. The mischiefs of excessive taxation, and which are usually the consequence of public debts, increase in a much faster ratio than the taxes themselves, more especially when they are placed on articles of expenditure. In such case, they distress agriculture, manufactures, and commerce ; they fetter all the other exertions of industry, and consume the comforts of the people. It has always been found, when a government has alienated its revenues, that it has become incompetent to its duties, and has sunk into lethargy and impotence. The state as a body politic, has to support its interests in the society of nations, and the prejudice thus resulting to it has no favourable circumstances to atone for it ; but is an evil without alloy, and of the most injurious kind. These are powerful motives to the adoption of a policy founded on good economy and public approbation.

A national debt is productive of incalculable evil by alienating the industry of the people. In the labouring classes, this is their only source of income. If the portion of public debt in this country which belongs to every man be the amount of taxes he pays in fourteen years, then, whoever has not property to that amount, is in effect insolvent ; for he is indebted so much to the

fundholders, and has not wherewith to pay. It may be immaterial to the happiness of the community whether the rich in general have mortgages on their estates, so that their real wealth be less than it appears to be. But an encumbrance which so deeply involves a working man, with no other resource than his labour, is productive of the greatest imaginable injury to him. To better the condition of the poor must ever be an object of the first importance. But by creating a public debt they are insidiously ruined. Had a greater portion of taxes been demanded of them during war, they might then, by greater industry and economy, which the increased demand for labour allowed, have been enabled to pay their share, without incurring a debt; but when that debt has accumulated to an enormous amount, and when a return to the ordinary state of expenditure has rendered employment difficult to obtain, the payment of the interest is quite equal to their ability, and the liquidation of the principal is deferred to a period which never arrives. In order to place a man on the same footing as before the debt was contracted, he ought to lay by a sum equal to his portion of it. But the poor man has seldom resolution enough in his prosperity to lay by the money which is at his disposal, and thus when the day of adversity arrives, it comes with redoubled force. Means are in this way placed at the disposal of the people of lowering their circumstances to a degree which would never otherwise have been in their power. To lessen the debt, would do no less good to the poor, than can be expected from the most successful institutions which benevolent men have ever established in their favour.

Again, a national debt is an evil by its creating a property of an immense amount, the title to which is insecure. "When national debts have once been accumulated to a certain degree, there is scarcely a single instance of their having been fairly and completely paid. The liberation of the public revenue, if it has ever been brought about at all, has always been brought about by a bankruptcy; sometimes by an avowed one, but always by a real one, though frequently by a pretended payment." A national debt, as before observed, does not increase the capital of a country, but by creating an encumbrance on what

already exists, transfers in effect a portion of all the property and industry of a country to other hands than the ostensible owners. Now the owners' title to the whole of the property was originally good; but the title to the encumbrance is not so secure; depending not only on the probity and good faith of a government in keeping its engagements, in opposition to its apparent interest, and in a matter in which no compulsion can be used against it; but also partly on the maintenance of that government itself, which must be the more insecure as the debt is heavier. A great portion of the property of a country is thus deteriorated in value; and without raising the value of the remaining portion, which would, however, in the event of a national bankruptcy, be increased in value thereby. Hence, a larger interest must be paid for the money than would be necessary if the title were secure. If the sum possessed by foreigners in the British funds be considered as constituting a claim on all the land in the country, which, if apportioned off, would equal a certain number of acres, it cannot be doubted that if, instead of a claim on the land of the country *generally*, the entire property in this certain number of acres had been sold to them, the sum procured would have been greater than that actually received; because the security would have been better. Thus a larger revenue is drawn by foreigners from this country, than was necessary for the money received.

A public debt is a property highly fluctuating in value; being liable to sudden and violent changes from causes which no human efforts can control, and no foresight can calculate; and these changes happen in particular at those times when of all others they are most injurious,—the period of adversity; bringing with them distress and ruin on great numbers. A change from a state of debt of a stationary amount, to one of an increasing amount, or from an increasing to one of a stationary or decreasing amount, must alter natural circumstances, and be productive of injurious consequences. One of the great objects of a well-ordered government must be to prevent, as much as possible, all sudden and violent changes; particularly such as arise, not from natural circumstances which may be foreseen, but from



measures of state which cannot be foreseen. These sudden and unexpected changes overthrow and disappoint the prudent calculations and enterprises of individuals, and leave the possession of wealth or poverty to fortuitous circumstances. Even a long period of prosperity, if it must be followed by one of adversity, though much shorter in duration, is not so conducive to happiness as a steady and uniform prosperity, though much less in degree, if the period of adversity be thereby averted. Now a change from a state of debt of a stationary amount, to a state of increasing debt, must raise prices, profits, and the interest of money; because by the excess of expenditure above the income, there is a greater demand for money; and though this may benefit some, it must injure others, whose undertakings are engaged in on the supposition of a continuance of existing prices. A state of decreasing debt must be injurious to many, though benefiting others. The government is not benefited by these changes; though it thus deals out ruin on one hand, and riches on the other. A state of war unaccompanied by an increase of debt, cannot alter prices generally; for if the supplies be raised within the year, as much as the government may spend more than ordinarily, so much will the people be obliged to retrench. If it be a maritime war, the prices of marine insurance and the wages of seamen will be raised, and every foreign commodity will be dearer; the prices of arms and ammunition will be raised; but as the incomes of the people will be diminished by the greater amount of taxes, the prices of articles of luxury must fall. The woollen manufacturer will find that as the demand for army clothing is increased, the demand for superfine broad cloth is diminished; and his sale on the whole will be little more than before. A change from a state of war, carried on in this way, to a state of peace, will also but little alter prices; and the evils from these changes would be but slightly felt.

This enumeration of some of the evils which arise from a public debt, is sufficient to quiet the alarms of those far-sighted men who are terrified lest, in the progress of redemption, we should lose the inestimable advantages of our precious load, and be overwhelmed with the miseries of having more wealth than we shall know what to do with. They are sufficient, on the

contrary, to show that the greatest benefit would accrue were the debt paid off. But to do this at once would be impossible ; because though that part of the debt which may apply to fixed property might be cancelled by transferring the debt in the way of mortgage to the property to which it belongs, and sending the fundholder for his dividend to the holders of this property ; yet that part of the debt which belongs to movable property and to floating capital, could not always be discharged without creating embarrassment to the traders from the diminution of capital ; nor is movable property always divisible. To create a mortgage or encumbrance on such property could neither afford an adequate security to the fundholder, nor one which could be easily called in by him. Still greater objections would apply to that portion of the debt which may belong to the industry of the people ; since it could not possibly be discharged by many from want of sufficient property, or property which is divisible and disposable ; and a stated annual claim on individuals is evidently unsuitable.

Were it possible at once to cancel the debt by transferring a portion of the property of the country to the public creditors, or by giving them a mortgage on it and on individuals, no injury would be occasioned to trade or circulation, and no check would be given to production ; all the evils attendant on taxation would be avoided, except those attendant on such taxation as is necessary for the current expenses of government ; a considerable saving would be effected by avoiding the collection of the revenue and management of the debt ; since, in many instances, it would be as convenient to the public creditor to receive his interest from the holders of property as from the bank. By transferring property or creating a mortgage on it, the creditor's title would become more secure than at present ; and a property yielding a smaller revenue than is now paid would be adequate to liquidate the claim : thus easing the burthen on the public, without injuring the public creditor. So many difficulties, however, must attend such immediate payment of the debt, that it can be considered only as a matter of speculation.

If the debt were gradually liquidated, this would materially affect the circumstances of the country, and prove in the highest

degree beneficial ; of which we have spoken already. By such liquidation, the circumstances of the people would improve every year. Having fewer taxes to pay in each succeeding year, they would be as well off as though they had hoarded money enough to yield an interest equivalent to the reduction of taxes.

From what has been said we perceive, that a public debt, the accumulation of which has been regarded by the people with so much supineness, and by some persons as highly beneficial to the country, is an evil of the greatest magnitude. It is an evil so pure and unmixed in its nature, that it can neither be increased, nor continued, nor discharged, without producing injurious consequences ; and particularly to the lower classes ; which are the first to suffer in any general distress. If it be increased or diminished, it deranges the natural order of things ; and while it strews benefits on one hand, it deals out distress on the other. If it be continued, it is continuing a burthen of an intolerable pressure, without hope of relief ; and which, if ever paid off, can never be paid by those from whom it is due ; and the longer it is continued the more unfair will be the distribution of its ultimate payment. To mortgage our revenues at so deep a rate, was surely the most fatal delusion that a nation which had any pretension to policy and prudence, has ever yet been guilty of. That remedy of funding, if it be a remedy, ought, in all reason, to have been reserved to the last extremity. There can hardly arise any circumstances which can warrant a nation incurring more than a temporary debt ; and none at all that can warrant so dangerous an expedient as incurring a debt to remain for a long series of years.

It may not be foreign to the present subject to offer one remark on the laws of succession, as existing in this country with regard to real and to funded property. Being different in these two descriptions of property, should the debt at any future time be materially reduced, though the laws themselves may remain unaltered, a practical change will take place in their effects. The proportions between the two descriptions of property will vary as the debt is reduced ; and they will be varied in a greater proportion than the actual reduction of debt ; because the value of real property will be increased by every diminution of debt ;

as the real disposable revenue will be greater when the taxes are less. Now if the laws of succession are perfect in themselves, or in their operation, under the existing proportions between real and funded property, they will not be perfect in their operation when the debt shall be greatly reduced. Or, if they were perfect when the debt commenced, they cannot be perfect now ; for their effects are different. In either case, they are subjects which, now or hereafter, deserve the consideration of the legislature.

Perhaps it is in part the emancipation from those fetters that retarded the transfer and division of property, which a national debt has imperceptibly effected, by the facilities afforded to its transfer ; and the practical alteration produced by it in the effect of the laws of succession, together with the necessity which the deterioration in the circumstances of the ancient families has imposed on them of resorting in a greater degree to their own exertions, that has in this country, within the last half century, produced such a diffusion of wealth, and such an unprecedented spirit of industry and enterprise. To this spirit we owe those immense strides in every department of science and art, that have so much distinguished the present age above all that have preceded it. Certain it is, that a great practical alteration has been occasioned by the increase of the debt in the descent and facility of alienation of property, which cannot but have had an influence of a powerful nature. The conclusion to be drawn from this, however, is, not that a debt is beneficial, but that the trammels which the law has imposed on the transfer and division of real property are so injurious as to have kept back the country from the advancement it would otherwise have made, and that the partial release from them, which the debt has occasioned, has been so beneficial, as even in some measure to counterbalance the evils which accompany the debt itself.

Besides the objections applicable to the debt itself, a serious evil has resulted from the common practice of funding in a stock below par,—giving more stock than the money received, but bearing a somewhat lower rate of interest than the market rate at the time. This plan was first known to be adopted in this country in 1759 ; but was not uniformly practised till 1781,

when Lord North resorted to it; in which he has been very generally followed by every succeeding British minister of finance to the close of the last war. In France and Spain also, the same practice prevails. From 1793 to 1812 inclusive, there were in England eleven loans transacted entirely in the 3 per cents. ; and £259,215,875 of stock were granted for £158,650,000 of money, which is at the rate of £60 2s. of money for £100 of stock ; or at an interest of £4 18s. per cent. The interest of this sum borrowed during war, may be thus nominally low ; but the terms are in reality most exorbitant.

In time of war, the enormous sums of money borrowed and expended by government, with the immense waste of productive industry and destruction of property from the operations of war, occasion a great scarcity of capital and a correspondingly high rate of interest. If this rate of interest were permanent, and if the government had no intention of ever paying the debt, it would be its interest to borrow in a stock below par ; because the interest given for the money is lower in this stock than it would be in one at par, in consequence of the certainty of receiving the full interest, notwithstanding that a fall of interest generally should happen, and in consequence of the expectation of a rise in the price of stock, from such general fall of interest, or from the government redeeming the debt. But the high rate of interest during war is a *temporary* circumstance, continuing only with the war, which the return of peace and more prosperous times, is sure to reduce to the ordinary level. The government, however, by borrowing in a stock below par, subjects itself to the *perpetual* payment of a *war-rate* of interest, as long as the debt shall remain unredeemed. Neither can the holders of the stock be compelled to give it up on payment of the money they advanced to the government, but the stock must either be bought at the market price, or paid off at par. From the establishment of the sinking fund to the 1st of February, 1791, there were £6,772,350 of the 3 per cents. redeemed for £5,424,592, being at the rate of £80 nearly. Thus when, in time of peace, the government attempts to buy up the stock, it must expect to give £80 of money for every £60 it received in time of war. From the certainty that the holders will not be obliged

to lower the interest, or to take back the money except on payment of the stock at par, there is a great probability that the price of stock will rise on the return of peace, when capital becomes abundant, when, consequently, the general rate of interest falls, and when the government is likely to pay off the debt. Thus persons are willing to lend in this stock at a lower rate of interest than in any other. "From 1794 to 1812, there were six operations of funding bills, and three loans, entirely in the 5 per cents. One of the loans, called the Loyalty Loan, in 1796, was transacted upon terms so disadvantageous to the public, that it ought to be excluded in estimating the average terms of funding. Confining ourselves, therefore, to the six operations of funding bills, and the loans in 1811 and 1812, £40,157,150 were received by government in exchange for £42,175,338 of 5 per cent. stock, the interest of which was £2,108,767, being at the rate of £5 5s. per cent. upon the money received, and 7s. per cent. more than on the money funded in the 3 per cents. Dr. Hamilton observes, that another consideration considerably reduces this difference of interest. In the loans, the public pays the whole interest for the year that the loan is transacted, although the money be advanced by instalments, or discount allowed if the whole be paid up at once. If the lender did not obtain this advantage, he would demand an additional capital, at least equivalent to £2 10s. in the 5 per cents., and yielding an interest of 2s. 6d. Nothing similar to this occurs in the transactions of funding bills, from which the greater part of the 5 per cent. stock arises." \* Thus, for a difference not exceeding five or six shillings per cent. on the interest, the government threw away the future advantage which would otherwise have accrued on the return of peace of reducing the interest to four or three and a half per cent., with the prospect of a still further reduction; while at the same time it pledged itself to pay as it were a fine for discharging the debt, in the shape of a certainty of paying £133 for every £100 borrowed, and a risk of paying £166. A more ruinous plan of borrowing could scarcely be

\* Vid. *Edinburgh Review*, vol. xxiv. p. 317.

devised. This fatal blunder has rendered it as ruinous to continue burthened with the exorbitant interest, as to discharge the debt.

A private individual when mortgaging his estate, does not give a larger mortgage than the actual money received, in consideration of the interest being nominally at a low rate, unless it be to avoid the usury laws. But the absurdity of doing so in a public transaction, though perhaps not quite so apparent to common observation, is still greater than in a private transaction, because whenever the government borrows, the rate of interest is sure to be high, and whenever it pays off, the rate is sure to be low: it is not so with individuals; some of whom are borrowing at all times; and, consequently, when interest is low as well as when it is high. Such is the result of the attempt of statesmen to outwit the money-lenders.

The nation, like every other debtor, ought to pay a fair interest for the money, and, in discharging the debt, ought to pay neither more nor less than the sum borrowed. It would have been of the highest advantage, had the government borrowed at the market rate of interest of the day, that is, in a stock at par, though that rate had been never so high. It is true, this would have subjected the country during the war, to a higher rate of interest than what has been paid, but on the return of peace, it was sure to fall; and immediately after this took place, the government might have borrowed at a lower rate, and with the money have tendered payment of the debt to such of its creditors as should have refused to accept the lower rate of interest to which the market rate had fallen. This operation continually repeated with every material lowering of the rate of interest in the market, would have rendered our debt at the present moment equivalent to more than £200,000,000 of capital, or £8,000,000 of annual interest less than it is at present, with the prospect, too, of continually effecting a further reduction of interest, and leaving in the discharge of the debt no larger amount of money to be paid than was actually received.

Public attention was drawn to the fact of the disadvantageous method of funding in a stock below par, by the late Dr. Robert

Hamilton in 1814,\* yet in the reduction of the 5 per cent. stock which was effected some years after, a similarly disadvantageous plan was adopted. The current rate of interest in the market being then about  $4\frac{1}{2}$  per cent., and the minister being desirous to reduce the stock to 4 per cent., he offered to the holders an increase of 5 per cent. on the *capital* of their stock, with a reduction of the interest on the whole to 4 per cent., and a guarantee that no further reduction of interest should be attempted for seven years. This was almost universally accepted by the stockholders. Thus above seven millions were added to the capital of the debt. But had the minister been content, as he was advised at the time, to reduce the interest first to  $4\frac{1}{2}$  or  $4\frac{1}{4}$  per cent., no such addition to the capital, and no guarantee, could have been required of him; and he would have had the opportunity in two or three years after of still further reducing it to 4 and  $3\frac{1}{2}$  per cent., as has since taken place. Independently of the prospect of a reduction of the interest, it was unnecessary, if the minister did not intend ever to pay off the debt himself, to make it more difficult for his successors to do so. But such policy might naturally be expected from a person who considered a public debt an addition to the wealth of a country, which would be so much the less, as the capital of the debt should be reduced. In reflecting on this signal mistake in our finance ministers, and on the mischief which may result from a single instance of mismanagement in public affairs, we can scarcely help repeating the exclamation of an able politician,—“With how little wisdom have the affairs of nations been conducted!”

It may perhaps be thought, that had it not been for the expectation of a rise in the price of stock, monied men would not have taken the loans, and government would not have been able to borrow so large an amount. But such is not the fact. Though the contractors might not perhaps have taken the loans in exactly the same way as that in which they did take them, yet the same sum of money might still have been borrowed. The

\* Inquiry concerning the National Debt of Great Britain.



contractors did not save or create all the money which was lent, nor are they the only persons who lend money: they are the mere agents between the government and the lenders, and their services, if needed, might as well have been procured by an agency as by a prospect of profit on the stock. The money must have existed in the country, or it could not have been borrowed; and was to be had by offering a sufficient inducement, either of a high interest, or a prospect of profit on the stock. But if the government had been somewhat more at the mercy of the lenders while it was borrowing, the tables would have been more than sufficiently turned in its favour when it began to pay off.

Our sinking fund was first established in 1786,—a time of profound peace, when the revenue exceeded the expenditure. But it was kept up during the whole of the war, when the expenditure exceeded the revenue to an enormous amount. It is scarcely allowable now to say much on the absurdity of keeping up this empty show of a sinking fund while the nation is borrowing, and no real reduction of debt is being effected. But such was not always the case. It is well known that a sum of money at compound interest of 5 per cent. doubles itself in fourteen years; and the assertion of Dr. Price is believed to be true, that a penny so improved from our Saviour's birth, would, at the time he wrote, (1773,) have increased to more money than would be contained in a hundred millions of globes, each equal to the earth in magnitude, and all of solid gold. The statements of this distinguished calculator influenced the measures of Mr. Pitt, but it would be a waste of time now to show, that no interest can accrue when there is no real reduction of debt. It has been thought, however, that a sinking fund was a support to public credit, and that the supply of ready money afforded by the regular purchases of the commissioners kept up the price of stock, and enabled the government to borrow on advantageous terms. The prices of the public funds, however, must depend on the quantity of money, or rather capital, for which investment is wanted, in proportion to the quantity wanted to be borrowed;—not on the quantities of stock bought and sold, but on the relation of the one to the other. To borrow with one hand

and pay off with the other, cannot alter the real supply and demand, or raise the price ; for it cannot create an abundance of money. To borrow twenty millions, and at the same time to pay off ten millions, must have the same effect on the market as borrowing only ten millions, and not paying off at all. But this double step of borrowing and paying off at the same time, must occasion an increase in the expense of borrowing money, by increasing the *bonus* which must be given by government to the lender for the larger amount of the loan. Contractors would not advance their money to the public, unless the stock assigned them were of greater value than the money advanced could purchase in the market at the time. They must be indemnified, too, for the disadvantage to which they will be put of a fall in the price of stock, during the paying up of the instalments on the loan, on account of large sums being demanded at once, while the purchasers for the sinking fund only furnish small sums at regular intervals. Besides, there must be larger profits to the contractors who hazard their property ; for though they may occasionally lose on their contracts, they must, on the average, gain, or they would cease to take such contracts. Dr. Hamilton computed that during a period of twenty years from the establishment of the sinking fund, the loss which it occasioned in this way could not be less than twenty millions. This greater expense of management and of profit to the contractors is so much lost to the nation, without any possible advantage in return ; and thus the keeping up a sinking fund in time of war, instead of contributing to lessen the debt, has served only to make a large addition to it. The only conceivable means of reducing debt are a real excess of revenue over expenditure.

But a sinking fund might be usefully employed, even when a nation is borrowing, if it were applied solely to pay off an old debt bearing a higher rate of interest than the rate at which a new debt could be created at the time. This, however, was not the way in which the sinking fund was applied by the British government ; for it was applied to reduce that part of the debt which bore the lowest rate of interest, without touching that which bore the highest rate. For many years the country con-

tinued to pay 5 per cent. interest on 140 millions of stock, when, had the sinking fund been applied to that stock, the holders would have been obliged to accept a reduction of interest proportionate to the market rate, or to have received money for their stock : we cannot doubt that they would have accepted the former alternative, had the reduction been fair and moderate. It is not improbable, if peace and general prosperity should continue many years, that our three per cent. stock may rise above par ; more especially if a sinking fund of any considerable magnitude should be applied to its liquidation for a series of years. In June, 1739, 3 per cents. were sold at the rate of £107 of money, for £100 of stock. If they should again advance above par, a sinking fund might be applied with effect in tendering payment to the stockholders according to some regular order of succession, with the option of a small reduction of interest, say one-eighth per cent., without any other guarantee of continuing that interest than that no further reduction should be offered until all the other holders had been similarly reduced. It is probable that the holders generally would prefer to keep their security at a small reduction of the interest rather than to change it, and thus the great body might be expected to accede without opposition. Such reduction, though trifling to individuals, would be of magnitude when applied to the whole debt ; and might be repeated from time to time, as the general rate of interest declined. It would diminish speculation in the funds when the stock arrived at par, by checking its rise above it, and no severe loss would be occasioned to individuals, from the government suddenly offering payment at par, after it had allowed the stock to advance considerably above it.

A very powerful influence would be exerted in reducing the general rate of interest, and advancing the price of stock, if a sinking fund of magnitude were kept up for a series of years. The relief to the nation from a reduction in the interest of its debt, or from changing it into terminable annuities, which might be effected if advanced above par, would amply repay the temporary sacrifice of keeping up such fund. The large amount of capital thus accumulated by the government, and dispersed

by the people throughout its several branches of industry, would also contribute in the highest degree to the advancement of the public opulence. In common honesty, a sinking fund ought to be kept up during peace of sufficient amount to liquidate within its probable continuance the debt incurred by the previous war ; as well as to afford a ready resource of surplus revenue on any sudden emergency of war or other public calamity.

THE END.

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